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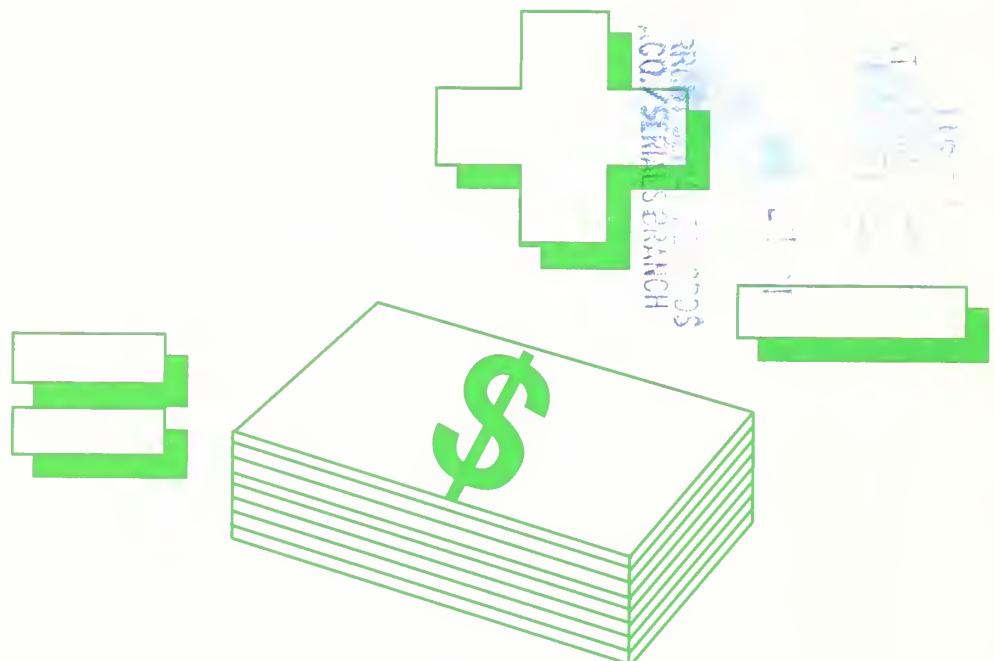




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Office of  
the Secretary  
Office of  
Finance and  
Management

# Secretary's Management Report

October 1, 1990-March 31, 1991





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## Abbreviations

ADM	Administration
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
CSRS	Cooperative State Research Service
ECON	Economics
ERS	Economic Research Service
ES	Extension Service
FAS	Foreign Agricultural Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
FGIS	Federal Grain Inspection Service
F&CS	Food and Consumer Services
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
IA&CP	International Affairs and Commodity Programs
M&IS	Marketing and Inspection Services
NASS	National Agricultural Statistics Service

NR&E	Natural Resources and Environment
OFM	Office of Finance and Management
OGC	Office of the General Counsel
OICD	Office of International Cooperation and Development
OIG	Office of Inspector General
OIRM	Office of Information Resources Management
OO	Office of Operations
OP	Office of Personnel
REA	Rural Electrification Administration
SC&RD	Small Community and Rural Development
SCS	Soil Conservation Service
S&E	Science and Education





DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

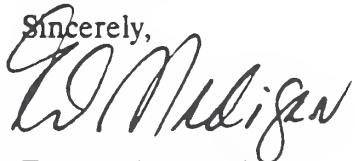
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MESSAGE FROM THE SECRETARY

This is the Department's fourth Management Report to the Congress required by the Inspector General Act Amendments of 1988. The Department's diverse programs involve agriculture, conservation, international trade, environment, food safety, biotechnology, forestry, rural development, and nutrition. It is essential that good management practices are in place to administer these programs effectively and efficiently.

I am pleased to support this reporting requirement. It represents my commitment and the commitment of all managers in the Department to take prompt and efficient action to implement recommendations contained in audit reports issued by the Office of Inspector General. The report helps to strengthen the integrity of the Department and to emphasize the need to manage our programs and internal administrative processes with greater accountability and responsibility.

Close monitoring of audits and effective followup processes ensure that corrective action is implemented timely and efficiently. Managers continue to enhance their program and operational responsibilities to avoid fraud, waste, and abuse in the Department.

Sincerely,  
  
Edward R. Madigan  
Secretary



## INTRODUCTION

This is the Secretary's Management Report to the Congress required by the Inspector General Act Amendments of 1988 for the period October 1, 1990, through March 31, 1991. The Act requires that the Secretary report directly to the Congress on the status of actions taken on audit recommendations. This report reflects management's implementation of recommendations contained in audit reports issued by the United States Department of Agriculture's (USDA) Office of Inspector General (OIG) and explains why action on an audit is incomplete 1 year from the management decision date. It complements OIG's Semiannual Report which includes data on audit reports issued during this 6-month period and the status of management decisions made during this period. The Secretary's Management Report is used also as a vehicle to provide a synopsis of significant activities and initiatives in the Department. These activities do not relate necessarily to the audit reports or recommendations discussed in this report.

For this reporting period, the Office of Finance and Management (OFM) monitored 541 audits containing 3,430 recommendations for action by USDA management. This compares to 611 audits containing 3,604 recommendations for the period April 1 through September 30, 1990. Of the 541 audit reports, 291 have disallowed costs of \$92,493,385 and 97 have \$2,324,460,591 identified as funds to be put to better use. For this 6-month period, management made decisions on 70 audits with \$20,221,480 in disallowed costs and 24 audits with \$248,810,952 in funds to be put to better use.

Final action occurred on 211 audits. Management recovered \$12,197,571 and wrote off \$14,320,948 in disallowed costs totaling \$26,518,519. Of this amount, \$2,857,145 represents recoveries and writeoffs identified through management reviews in excess of the questioned costs included in 114 audits with final action. Management implemented \$199,241,829 in funds to be put to better use for 27 audits. As of March 31, 1991, 330 audits need final action, of which 177 have disallowed costs of \$68,832,011 and 70 have \$2,125,218,762 identified as funds to be put to better use.

This report provides explanations on 95 audits without final action 1 year from the management decision date. This compares to 82 audits for the prior reporting period and is attributed to management decisions which require implementation over a multiyear period. The corrective actions necessary to implement a management decision often involve time-consuming processes such as developing automated systems or issuing program regulations.

The Department-wide table on page 18 of this report shows the total and the average number of audit recommendations contained in OIG audit reports. This table is included to provide an indication of the audit workload assigned to each USDA Agency. The Department-wide statistical tables summarize the status of all USDA Agency audits. The appendices depict statistics for each USDA Agency to show the status of monetary audits and the number of audits either in the appeal process or requiring a legislative solution.



## DEFINITIONS

**Questioned Cost.** A cost OIG questions because of:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Disallowed Cost.** A questioned cost that management sustains or agrees is not chargeable to the Government.

**Funds To Be Put To Better Use.** A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- reductions in outlays;
- deobligation of funds from programs or operations;
- withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
- avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- any other savings which are specifically identified.

**Management Decision.** Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions.

**Final Action.** Final action means:

- the completion of all actions that management has concluded are necessary in its management decision with respect to the findings and recommendations included in an audit report; and
- in the event that management concludes no action is necessary, final action occurs when a management decision is made.



## **DEPARTMENT-WIDE STATISTICAL TABLES**

# STATUS OF AUDIT REPORTS FOR THE 6-MONTH PERIOD

Agency	Audits With Final Action		Audits Incomplete Within 1 Year		Total Audits		Total Disallowed Costs		Total Funds To Be Put To Better Use	
	Number	Percent*	Number	Percent*	Number	Percent*	Dollars	Percent*	Dollars	Percent*

## Under Secretary for International Affairs and Commodity Programs

ASCS	28	13.3	10	10.5	75	13.9	24,402,142	26.4	1,179,685,771	50.8
FAS	2	0.9	0	0.0	6	1.1	0	0.0	175,419,645	7.5
OICD	0	0.0	1	1.1	2	0.4	0	0.0	0	0.0
<b>Subtotal</b>	<b>30</b>	<b>14.2</b>	<b>11</b>	<b>11.6</b>	<b>83</b>	<b>15.4</b>	<b>24,402,142</b>	<b>26.4</b>	<b>1,355,105,416</b>	<b>58.3</b>

## Under Secretary for Small Community and Rural Development

FmHA	21	9.9	21	22.1	71	13.1	39,331,903	42.6	623,766,967	26.8
FCIC	45	21.3	8	8.4	98	18.1	7,886,334	8.5	14,085,482	0.6
REA	0	0.0	2	2.1	2	0.4	0	0.0	1,500,000	0.1
<b>Subtotal</b>	<b>66</b>	<b>31.2</b>	<b>31</b>	<b>32.6</b>	<b>171</b>	<b>31.6</b>	<b>47,218,237</b>	<b>51.1</b>	<b>639,352,449</b>	<b>27.5</b>

## Assistant Secretary for Food and Consumer Services

FNS	68	32.2	26	27.4	153	28.3	14,715,155	15.9	214,035,368	9.2
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## Assistant Secretary for Marketing and Inspection Services

FGIS	0	0.0	1	1.1	1	0.2	0	0.0	0	0.0
AMS	4	1.9	5	5.2	12	2.2	472,294	0.5	23,291,884	1.0
APHIS	5	2.4	4	4.2	17	3.1	492,455	0.5	18,550,126	0.8
FSIS	4	1.9	4	4.2	16	3.0	2,670,416	2.9	0	0.0
<b>Subtotal</b>	<b>13</b>	<b>6.2</b>	<b>14</b>	<b>14.7</b>	<b>46</b>	<b>8.5</b>	<b>3,635,165</b>	<b>3.9</b>	<b>41,842,010</b>	<b>1.8</b>

## Assistant Secretary for Administration

OFM	1	0.5	0	0.0	6	1.1	10,290	0.0	0	0.0
OO	0	0.0	1	1.1	2	0.4	0	0.0	0	0.0
OIRM	2	0.9	3	3.1	9	1.6	17,028	0.0	442,572	0.0
<b>Subtotal</b>	<b>3</b>	<b>1.4</b>	<b>4</b>	<b>4.2</b>	<b>17</b>	<b>3.1</b>	<b>27,318</b>	<b>0.0</b>	<b>442,572</b>	<b>0.0</b>

## Assistant Secretary for Economics

NASS	1	0.5	0	0.0	1	0.2	0	0.0	0	0.0
ERS	0	0.0	0	0.0	1	0.2	205	0.0	0	0.0
<b>Subtotal</b>	<b>1</b>	<b>0.5</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>0.4</b>	<b>205</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>

## Assistant Secretary for Natural Resources and Environment

FS	17	8.1	8	8.4	40	7.4	474,838	0.5	66,426,810	2.9
SCS	5	2.4	1	1.1	15	2.8	291,235	0.3	4,604,855	0.2
<b>Subtotal</b>	<b>22</b>	<b>10.5</b>	<b>9</b>	<b>9.5</b>	<b>55</b>	<b>10.2</b>	<b>766,073</b>	<b>0.8</b>	<b>71,031,665</b>	<b>3.1</b>

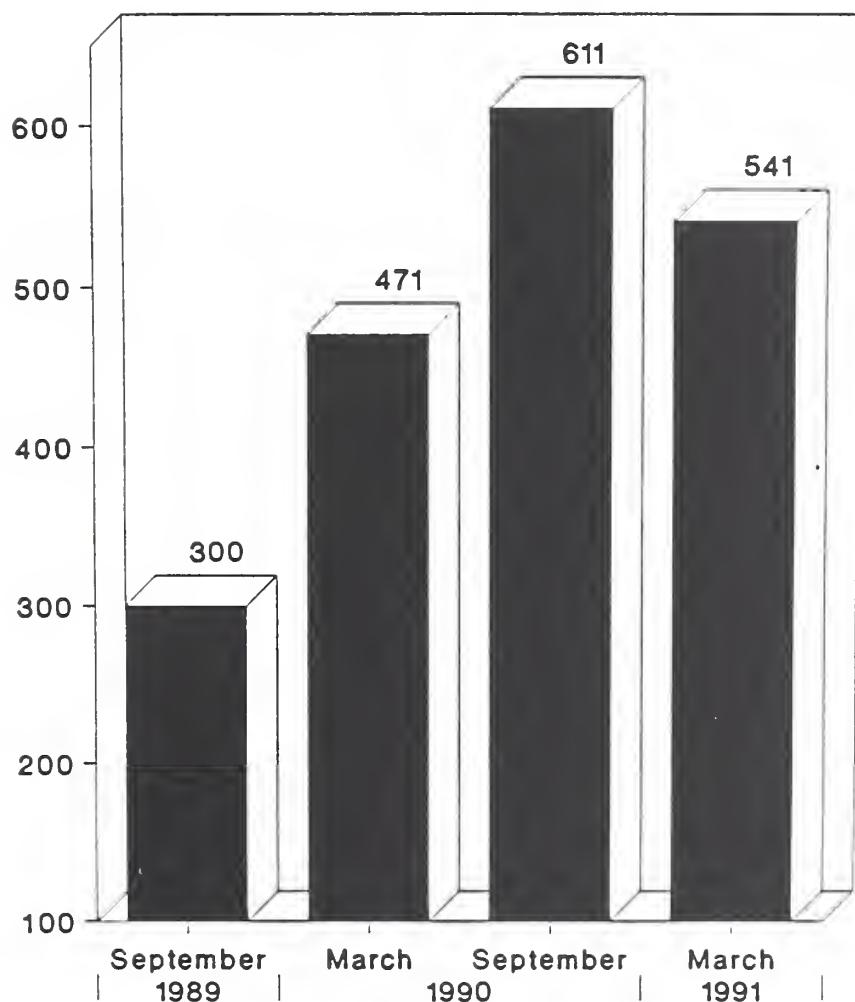
## Assistant Secretary for Science and Education

ARS	1	0.5	0	0.0	3	0.5	602	0.0	2,651,111	0.1
CSRS	3	1.4	0	0.0	6	1.1	1,728,488	1.9	0	0.0
ES	4	1.9	0	0.0	5	0.9	0	0.0	0	0.0
<b>Subtotal</b>	<b>8</b>	<b>3.8</b>	<b>0</b>	<b>0.0</b>	<b>14</b>	<b>2.5</b>	<b>1,729,090</b>	<b>1.9</b>	<b>2,651,111</b>	<b>0.1</b>

**TOTAL**      **211**      **100.0**      **95**      **100.0**      **541**      **100.0**      **92,493,385**      **100.0**      **2,324,460,591**      **100.0**

\*Percentages Rounded

## AUDIT FOLLOWUP TRENDS



This chart shows the number of audits monitored with management decisions for the end of each 6-month period since enactment of the Inspector General Act Amendments of 1988. The September 1989 figure includes 201 audits transferred from OIG.

# AUDITS WITH MANAGEMENT DECISIONS FOR THE 6-MONTH PERIOD

Agency	Audits With Management Decisions Carried Over From April 1, 1990– September 30, 1990 Report		Audits With Management Decisions October 1, 1990– March 31, 1991 Report		Total Audits	
	Number	Percent*	Number	Percent*	Number	Percent*

<b>Under Secretary for International Affairs and Commodity Programs</b>						
ASCS	56	14.0	19	13.6	75	13.9
FAS	3	0.7	3	2.1	6	1.1
OICD	2	0.5	0	0.0	2	0.4
Subtotal	61	15.2	22	15.7	83	15.4

<b>Under Secretary for Small Community and Rural Development</b>						
FmHA	52	13.0	19	13.6	71	13.1
FCIC	91	22.7	7	5.0	98	18.1
REA	2	0.5	0	0.0	2	0.4
Subtotal	145	36.2	26	18.6	171	31.6

<b>Assistant Secretary for Food and Consumer Services</b>						
FNS	107	26.7	46	32.9	153	28.3

<b>Assistant Secretary for Marketing and Inspection Services</b>						
FGIS	1	0.2	0	0.0	1	0.2
AMS	11	2.7	1	0.7	12	2.2
APHIS	12	3.0	5	3.6	17	3.1
FSIS	11	2.7	5	3.6	16	3.0
Subtotal	35	8.6	11	7.9	46	8.5

<b>Assistant Secretary for Administration</b>						
OFM	3	0.7	3	2.1	6	1.1
OO	2	0.5	0	0.0	2	0.4
OIRM	6	1.5	3	2.1	9	1.6
Subtotal	11	2.7	6	4.2	17	3.1

<b>Assistant Secretary for Economics</b>						
NASS	1	0.2	0	0.0	1	0.2
ERS	0	0.0	1	0.7	1	0.2
Subtotal	1	0.2	1	0.7	2	0.4

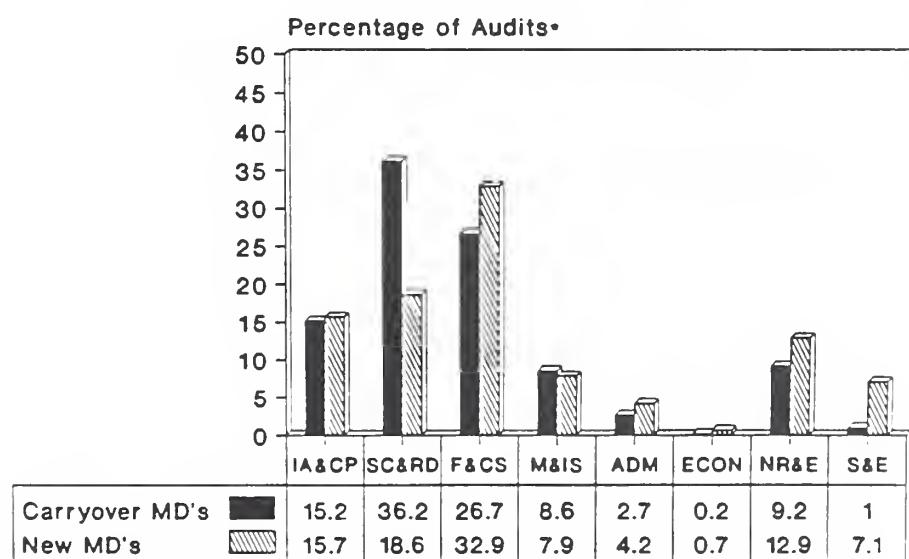
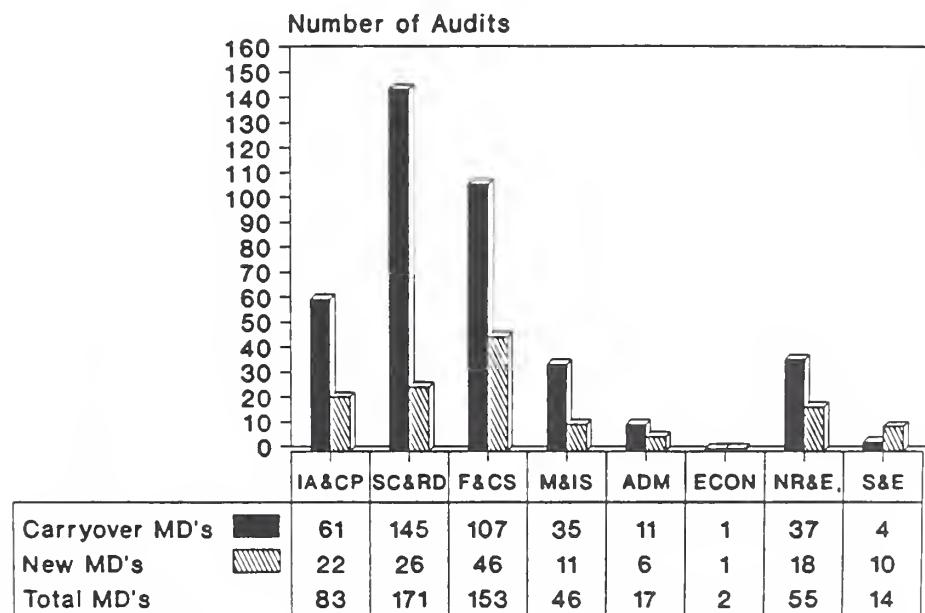
<b>Assistant Secretary for Natural Resources and Environment</b>						
FS	26	6.5	14	10.0	40	7.4
SCS	11	2.7	4	2.9	15	2.8
Subtotal	37	9.2	18	12.9	55	10.2

<b>Assistant Secretary for Science and Education</b>						
ARS	0	0.0	3	2.1	3	0.5
CSRS	4	1.0	2	1.4	6	1.1
ES	0	0.0	5	3.6	5	0.9
Subtotal	4	1.0	10	7.1	14	2.5

<b>TOTAL</b>	401	100.0	140	100.0	541	100.0
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\*Percentages Rounded

## AUDITS WITH MANAGEMENT DECISIONS FOR THE 6-MONTH PERIOD



MD's • Management Decisions

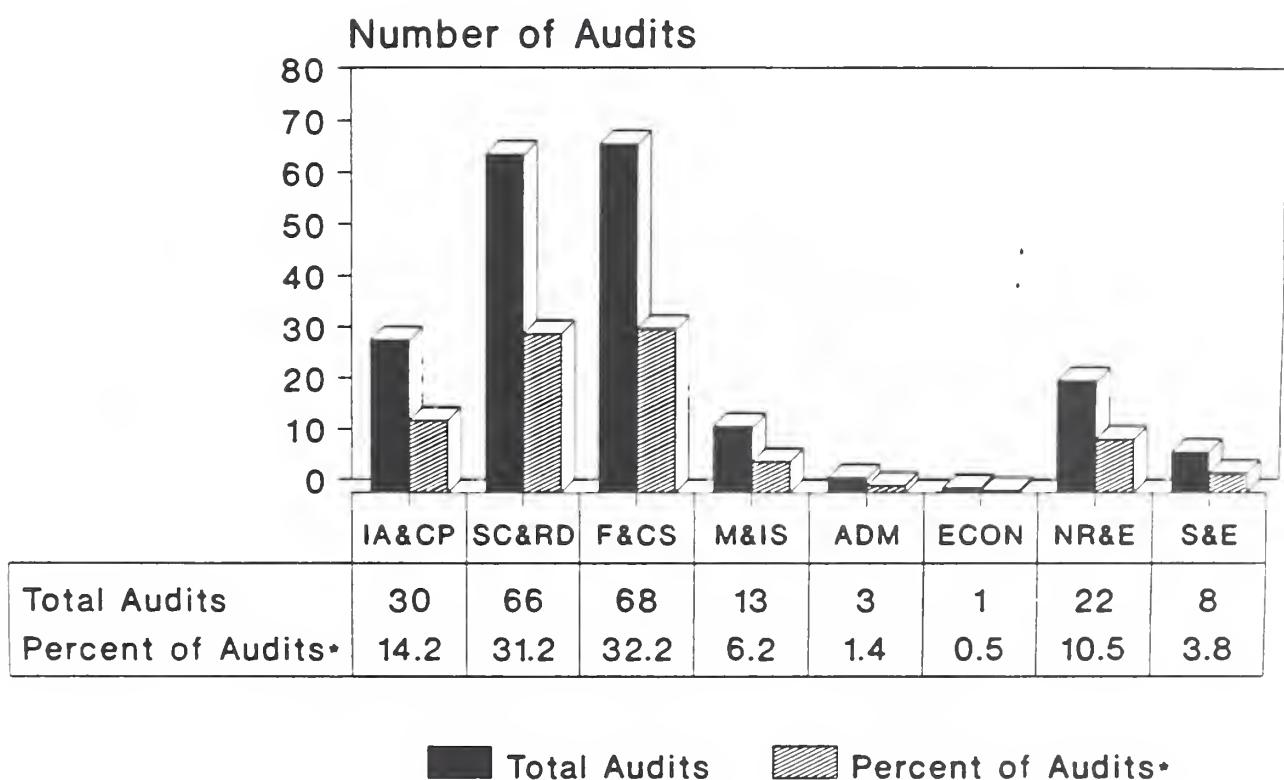
\*Percentages Rounded

## AUDITS WITH FINAL ACTION FOR THE 6-MONTH PERIOD

Agency	Number	Percent*
<b>Under Secretary for International Affairs and Commodity Programs</b>		
ASCS	28	13.3
FAS	2	0.9
Subtotal	30	14.2
<b>Under Secretary for Small Community and Rural Development</b>		
FmHA	21	9.9
FCIC	45	21.3
Subtotal	66	31.2
<b>Assistant Secretary for Food and Consumer Services</b>		
FNS	68	32.2
<b>Assistant Secretary for Marketing and Inspection Services</b>		
AMS	4	1.9
APHIS	5	2.4
FSIS	4	1.9
Subtotal	13	6.2
<b>Assistant Secretary for Administration</b>		
OFM	1	0.5
OIRM	2	0.9
Subtotal	3	1.4
<b>Assistant Secretary for Economics</b>		
NASS	1	0.5
<b>Assistant Secretary for Natural Resources and Environment</b>		
FS	17	8.1
SCS	5	2.4
Subtotal	22	10.5
<b>Assistant Secretary for Science and Education</b>		
ARS	1	0.5
CSRS	3	1.4
ES	4	1.9
Subtotal	8	3.8
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

\*Percentages Rounded

## AUDITS WITH FINAL ACTION FOR THE 6-MONTH PERIOD



\*Percentages Rounded

# AUDITS WITHOUT FINAL ACTION 1 YEAR FROM THE MANAGEMENT DECISION DATE

AGENCY	NUMBER	PERCENT*
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## Under Secretary for International Affairs and Commodity Programs

ASCS	10	10.5
OICD	1	1.1
Subtotal	11	11.6

## Under Secretary for Small Community and Rural Development

FmHA	21	22.1
FCIC	8	8.4
REA	2	2.1
Subtotal	31	32.6

## Assistant Secretary for Food and Consumer Services

FNS	26	27.4
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## Assistant Secretary for Marketing and Inspection Services

FGIS	1	1.1
AMS	5	5.2
APHIS	4	4.2
FSIS	4	4.2
Subtotal	14	14.7

## Assistant Secretary for Administration

OO	1	1.1
OIRM	3	3.1
Subtotal	4	4.2

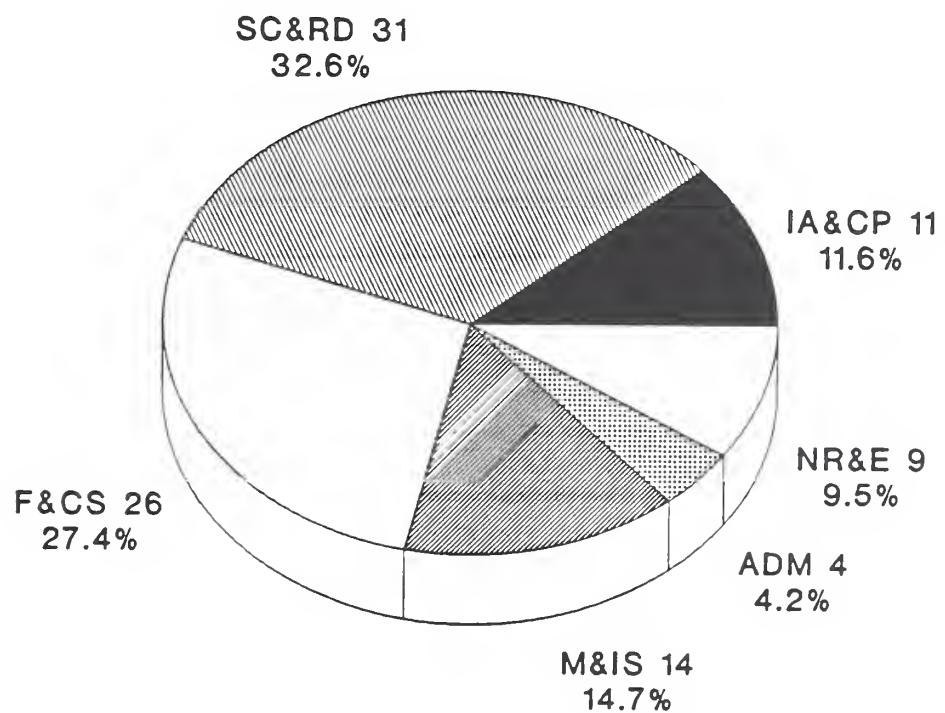
## Assistant Secretary for Natural Resources and Environment

FS	8	8.4
SCS	1	1.1
Subtotal	9	9.5

<b>TOTAL</b>	<b>95</b>	<b>100.0</b>
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\*Percentages Rounded

## AUDITS WITHOUT FINAL ACTION 1 YEAR FROM THE MANAGEMENT DECISION DATE



Percentages Rounded

**Department-wide  
Final Action on Audits With Disallowed  
Costs and With Funds To Be Put To Better Use  
For the 6-Month Period Ending March 31, 1991**

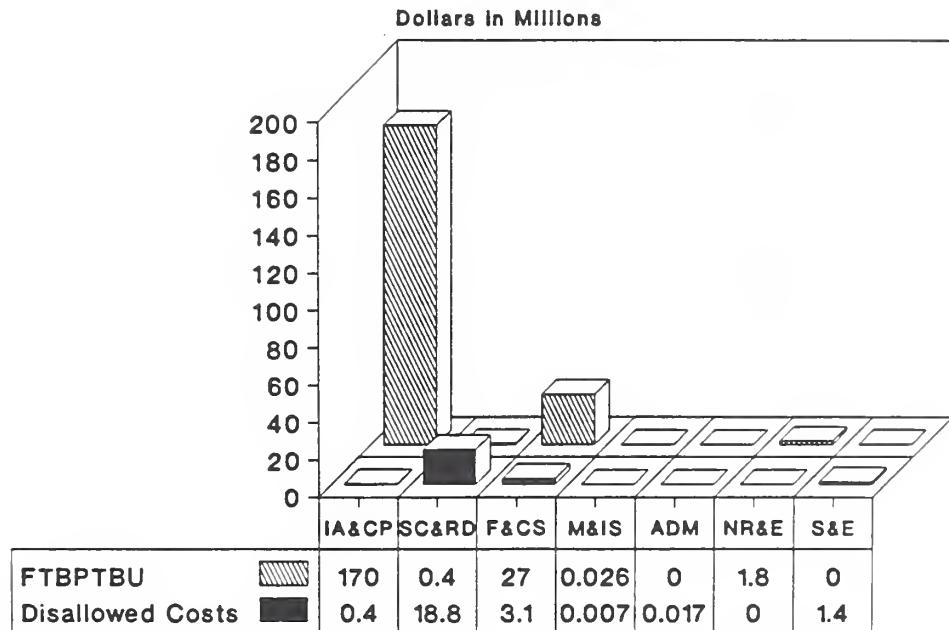
	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	221 <sup>1</sup>	72,271,905 <sup>1</sup>	73 <sup>2</sup>	2,075,649,639 <sup>2</sup>
B. Management decisions made during the period	70	20,221,480	24	248,810,952
C. Total (A + B)	291	92,493,385	97	2,324,460,591
D. Final action taken during the period	114	23,661,374	27	199,241,829
1. Recoveries				
(a) Collections		4,665,211		
(b) Other		7,532,360		
2. Writeoffs		14,320,948		
3. Total (1 + 2)		26,518,519 <sup>3</sup>		
4. Recommendations completed				199,241,829
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				199,241,829
E. Total reports needing final action at the end of the period	177	68,832,011	70	2,125,218,762

<sup>1</sup>This reflects an increase of two audits and a decrease of \$965,652 for audits with final action omitted inadvertently from the April 1 - September 30, 1990, report.

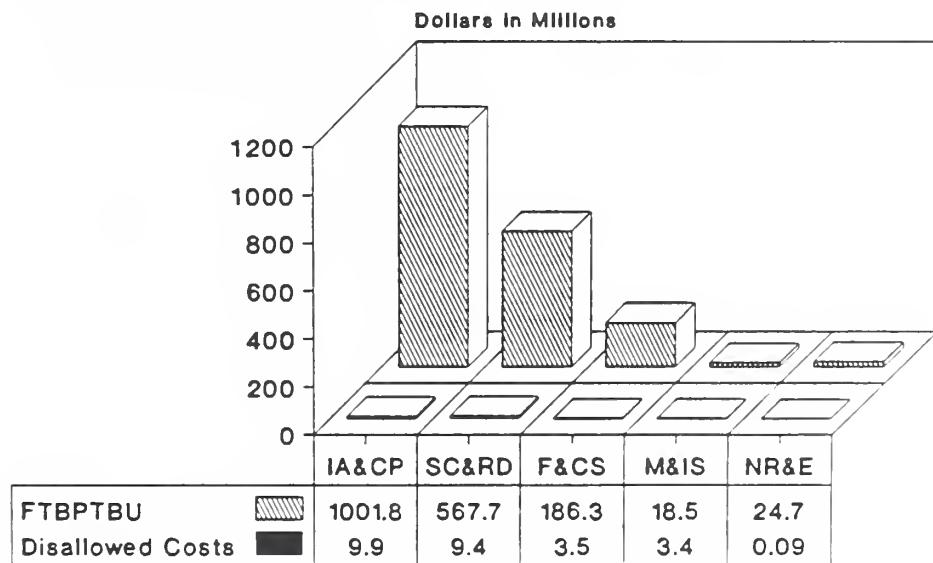
<sup>2</sup>This reflects an increase of three audits and an increase of \$25,540,990 omitted inadvertently from the April 1 - September 30, 1990, report.

<sup>3</sup>Actual recoveries and writeoffs exceeded the disallowed costs by \$2,857,145.

FINAL ACTION ON AUDITS WITH  
DISALLOWED COSTS AND WITH FUNDS  
TO BE PUT TO BETTER USE



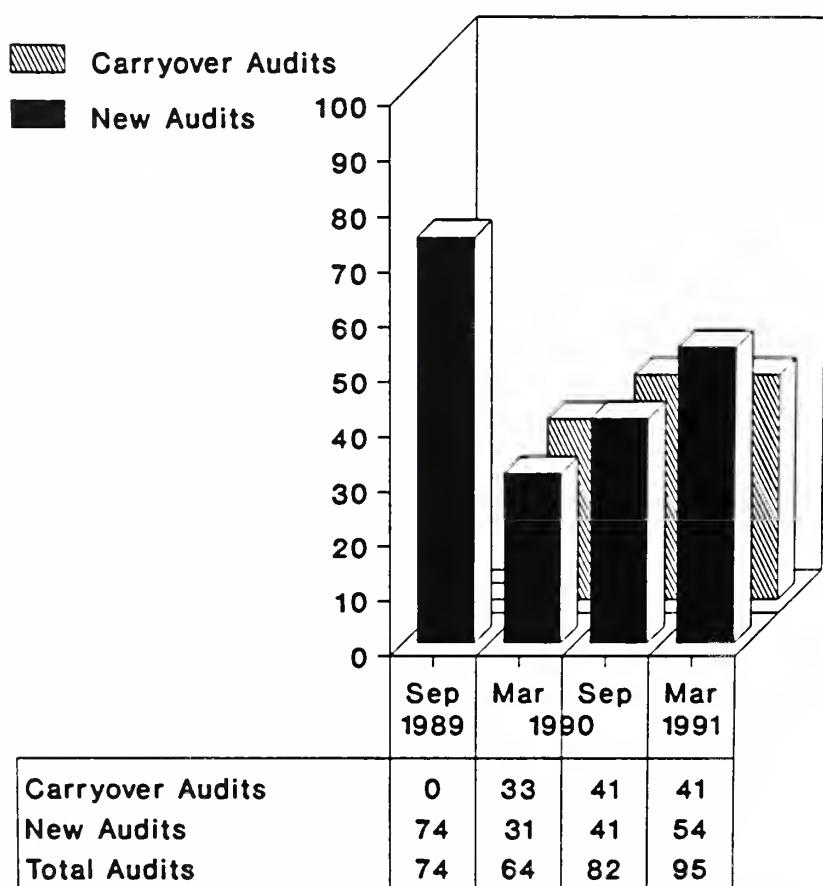
AUDITS WITHOUT FINAL ACTION 1 YEAR FROM  
THE MANAGEMENT DECISION DATE WITH  
DISALLOWED COSTS AND WITH FTBPTBU\*



\*FTBPTBU = Funds To Be Put To Better Use

Figures Rounded

## TREND ANALYSIS OF AUDITS WITHOUT FINAL ACTION 1 YEAR FROM THE MANAGEMENT DECISION DATE



This chart shows audits without final action 1 year from the date of the management decision for the end of each 6-month period since enactment of the Inspector General Act Amendments of 1988. The September 1989 figure represents those audits transferred from OIG.

## MONETARY AUDITS NEEDING FINAL ACTION AT THE END OF THE 6-MONTH PERIOD

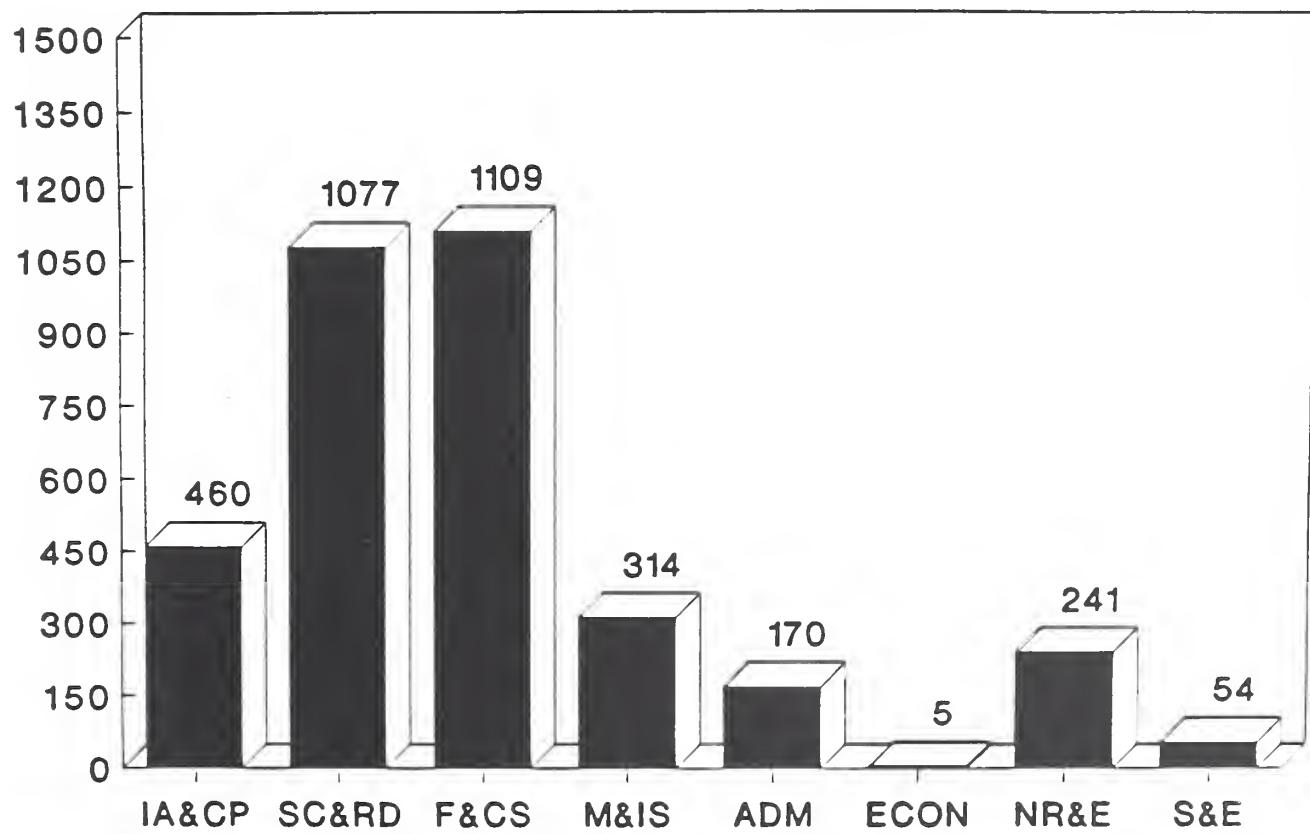
Agency	Number of Audits With Disalloweed Costs	Disalloweed Costs (Dollars)	Number of Audits With Funds To Be Put To Better Use	Funds To Be Put To Better Use (Dollars)
<b>Under Secretary for International Affairs and Commodity Programs</b>				
ASCS	37	24,032,347	16	1,178,890,835
FAS	0	0	1	6,219,645
<b>Subtotal</b>	<b>37</b>	<b>24,032,347</b>	<b>17</b>	<b>1,185,110,480</b>
<b>Under Secretary for Small Community and Rural Development</b>				
FmHA	18	20,617,968	10	623,373,309
FCIC	40	7,818,180	5	14,084,824
REA	0	0	1	1,500,000
<b>Subtotal</b>	<b>58</b>	<b>28,436,148</b>	<b>16</b>	<b>638,958,133</b>
<b>Assistant Secretary for Food and Consumer Services</b>				
FNS	61	11,649,750	12	187,020,552
<b>Assistant Secretary for Marketing and Inspection Services</b>				
AMS	2	472,294	1	23,291,884
APHIS	4	492,455	4	18,524,023
FSIS	6	2,663,128	0	0
<b>Subtotal</b>	<b>12</b>	<b>3,627,877</b>	<b>5</b>	<b>41,815,907</b>
<b>Assistant Secretary for Administration</b>				
OFM	1	10,290	0	0
OIRM	0	0	1	442,572
<b>Subtotal</b>	<b>1</b>	<b>10,290</b>	<b>1</b>	<b>442,572</b>
<b>Assistant Secretary for Economics</b>				
ERS	1	205	0	0
<b>Assistant Secretary for Natural Resources and Environment</b>				
FS	4	474,838	11	66,426,810
SCS	1	291,235	7	2,793,197
<b>Subtotal</b>	<b>5</b>	<b>766,073</b>	<b>18</b>	<b>69,220,007</b>
<b>Assistant Secretary for Science and Education</b>				
ARS	1	602	1	2,651,111
CSRS	1	308,719	0	0
<b>Subtotal</b>	<b>2</b>	<b>309,321</b>	<b>1</b>	<b>2,651,111</b>
<b>TOTAL</b>	<b>177</b>	<b>68,832,011</b>	<b>70</b>	<b>2,125,218,762</b>

# OIG AUDIT REPORT RECOMMENDATIONS FOR THE 6-MONTH PERIOD

Agency	Total OIG Audits	Total OIG Recommendations	Average OIG Audit Recommendations*
<b>Under Secretary for International Affairs and Commodity Programs</b>			
ASCS	75	398	11.6
FAS	6	35	1.0
OICD	2	27	0.7
<b>Subtotal</b>	<b>83</b>	<b>460</b>	
<b>Under Secretary for Small Community and Rural Development</b>			
FmHA	71	597	17.4
FCIC	98	466	13.5
REA	2	14	0.4
<b>Subtotal</b>	<b>171</b>	<b>1,077</b>	
<b>Assistant Secretary for Food and Consumer Services</b>			
FNS	153	1,109	32.3
<b>Assistant Secretary for Marketing and Inspection Services</b>			
FGIS	1	2	0.0
AMS	12	104	3.0
APHIS	17	107	3.1
FSIS	16	101	2.9
<b>Subtotal</b>	<b>46</b>	<b>314</b>	
<b>Assistant Secretary for Administration</b>			
OFM	6	49	1.4
OO	2	18	0.5
OIRM	9	103	3.0
<b>Subtotal</b>	<b>17</b>	<b>170</b>	
<b>Assistant Secretary for Economics</b>			
NASS	1	4	0.1
ERS	1	1	0.0
<b>Subtotal</b>	<b>2</b>	<b>5</b>	
<b>Assistant Secretary for Natural Resources and Environment</b>			
FS	40	222	6.4
SCS	15	19	0.5
<b>Subtotal</b>	<b>55</b>	<b>241</b>	
<b>Assistant Secretary for Science and Education</b>			
ARS	3	3	0.1
CSRS	6	30	0.8
ES	5	21	0.6
<b>Subtotal</b>	<b>14</b>	<b>54</b>	
<b>TOTAL</b>	<b>541</b>	<b>3,430</b>	

\*Averages Rounded

## OIG AUDIT REPORT RECOMMENDATIONS FOR THE 6-MONTH PERIOD



## AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

During the period October 1, 1990, through March 31, 1991, 40 audits were in either administrative or judicial appeal, and two audits continued to need a legislative solution. The following table shows an increase of four audits under appeal for this 6-month period. A breakout by Agency is shown on page 113 of Appendix B.

<u>Administrative Appeal</u>	<u>Judicial Appeal</u>	<u>Legislative Solution</u>	<u>Total</u>
31*	10*	2	42*
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\*Separate portions of one audit are under both administrative and judicial appeal.

## **SIGNIFICANT ACTIVITIES AND INITIATIVES**



## SIGNIFICANT ACTIVITIES AND INITIATIVES

### GENERAL MANAGEMENT

#### Audited Financial Statements

OFM prepared consolidated financial statements for fiscal year (FY) 1988 for USDA. Included are the related statements of operations, cash flows and reconciliation to the budget for the year then ended. The consolidated financial statements include all funds for which USDA is responsible. These statements are on the accrual basis of accounting in conformity with generally accepted accounting principles for Federal agencies. The preparation and audit of these statements is a major milestone of this Administration. The Department has over \$140 billion in assets under its stewardship. USDA financial systems cover 42 separate Agencies and offices, with an annual budget of more than \$50 billion. The preparation and audit of financial statements is a key element of the Federal Government's overall plan to improve financial management. Improved financial management and communications between the Department's top management are some of the positive benefits resulting from audited financial statements. In the future, audited consolidated financial statements will be available on a regular basis. The goal is to integrate Departmental financial statement information with program accomplishments to allow comparison of plans to actual accomplishments.

#### Letter of Credit Conversion

In 1990, the Department of Treasury advised USDA that it would discontinue the Letter of Credit-Treasury Financial Communications System. Consequently, the Extension Service (ES) and the Cooperative State Research Service (CSRS) implemented an alternative payment option for their grant recipients. After careful review and analysis of various payment options, CSRS and ES elected to use the Department of Health and Human Services (DHHS) Payment Management System (PMS). The major benefits of PMS are that it: provides for next day payment to recipients; allows recipients to process payment requests directly with HHS instead of through a financial institution; reduces training, guidance, and implementation problems because most ES and CSRS recipients are under PMS for other Federal programs; and simplifies Agency reporting requirements. The system was implemented fully in February 1991.

#### Cash and Debt Management

The Farmers Home Administration (FmHA) amended its Single Family Housing (SFH) servicing and collection regulations to be consistent with the current definition of "delinquency" in order to provide uniformity in servicing a delinquent account; to encourage

all SFH borrowers to make payments to a lockbox by charging a money order fee to borrowers who make cash payments to the County Office (CO); to establish policy to permit County Supervisors the authority to approve, compromise, adjust, cancel, or charge off SFH program debts regardless of the amount; and to provide the capability to escrow for real estate taxes and property insurance for SFH borrowers.

### Credit Management

Credit quality control is the main objective established by FmHA in June 1990 for National and State Offices. Sound portfolio management is a major initiative of the Agency. To emphasize this goal, the Agency established a measurement for accomplishment. Based on FmHA's review of borrower case files in States scheduled for Coordinated Assessment Reviews and case files referred to the National Office for loan making and servicing actions, credit quality scores are improving. FmHA anticipates a significant goal accomplishment by June 1991.

### Metrication

The Omnibus Trade and Competitiveness Act of 1988 designates the metric system of measurement as the preferred system of weights and measures for United States (U.S.) trade and commerce. The Act emphasizes implementing the metric system into Federal agency procurement, grants, and other business related activities. A draft Departmental Regulation (DR) to implement transition to the metric system is under review by policy officials of the Department. OFM is responsible for overseeing the Department-wide implementation and coordination of the conversion to metrics. This includes development of policy, guidelines, training, and management information systems to assure conversion integration throughout the innumerable systems in USDA.

### Improved Compliance Audits

The Agricultural Marketing Service (AMS) inspects and grades tobacco under the provisions of the Tobacco Inspection Act of 1935. The Act requires the inspection of tobacco prior to sale on designated auction markets in efforts to maintain an orderly marketing system. USDA charges user fees for inspection services to fund the program.

AMS performs compliance audits of tobacco warehouses to determine whether they are implementing appropriate operating procedures, and to review the billing and collection procedures used by Federal inspection personnel in administering the program. Use of lap top computers increased the number of tobacco warehouse audits by 200 percent. Manual tabulations of voluminous sales data are required no longer. The computer records,

analyzes, interprets data, and generates written reports. The reports are transmitted electronically to supervisory personnel for immediate review and action. The computer aids the staff in selecting statistical sampling techniques to predict compliance violations with a high degree of accuracy.

### Employee Development

The Office of Personnel (OP) offered a low-cost program for writing improvement to over 1,200 USDA employees. On the average, the program provided 80 hours of individual instruction at a cost of less than \$2 per hour. The program is a self-paced alternative to formal classes. OP continues to offer the Supervisory Training Academy to USDA employees. The Academy offers a series of training modules to improve supervision, including managing in a multi-cultural workplace and prevention of sexual harassment.

### Pay Reform

OP began to implement the Federal Employees Pay Comparability Act (FEPCA) of 1990. In addition to providing for locality based differences in pay under the General Schedule, FEPCA provides recruitment, relocation and retention bonuses, and special pay rates for a limited number of critical positions. OP detailed two employees to the Office of Personnel Management to assist in implementation of FEPCA. OP staff briefed key Departmental officials and personnelists on changes and flexibilities provided under FEPCA.

### Ethics Program

OP developed an ethics briefing to emphasize USDA's commitment to a sound and effective ethics program. The revitalized program addresses new requirements created by Executive Order 12731 and the Ethics Reform Act of 1989. The Office of Government Ethics joined the Department to provide ethics training to over 900 USDA top managers on the new financial disclosure requirements and detection of conflicts of interest.

### Simplified Purchase Programs

In its continuing efforts to streamline and to simplify the Federal procurement process, the Department is issuing commercial type credit cards for small purchases. When fully implemented, 10,000 cards will be in use. The Department averages \$500,000 a month in credit card purchases covering 4,000 transactions at an average purchase price of \$130. The fee per transaction is \$1.25. Purchase orders or AD-744's for similar transactions are estimated to cost \$50 per transaction.

## Real Property

The Department conducted 40 surveys of facilities to determine if they were utilized fully. More than 197,663 acres were surveyed, with a fair market value of over \$68.7 million. Through the property disposal program, OO collaborated with the Department's land holding Agencies to report approximately 300 acres of land and improvements valued at over \$9.6 million as excess to the General Services Administration (GSA).

## Poultry Market News

In response to consumer preferences, the turkey industry is producing many new and different products. Fresh turkeys represent an increasingly larger share of the whole bird turkey market. A greater share of turkey parts is processed into different product forms, such as comminuted turkey and ground turkey. To stay current with these industry changes, AMS needed a new procedure to make the Poultry Market News (PMN) reporting system responsive, yet useful and simple enough for the users of the price information.

To address these issues, PMN held a national reporters meeting to discuss the turkey program, particularly procedures on reporting prices. The National Turkey Federation asked its Price Discovery Committee to look for alternative methods of price reporting. As a result, AMS developed a method of reporting whole commodity turkeys, canner turkeys, and turkey parts to accommodate industry changes. Sales on whole turkeys are reported at a basic commodity level. Any sales of value added items such as timers, nets, and various bастings are adjusted. The new report covers turkey parts and further processed items. These improvements allow price reports on turkeys to be more representative of current markets.

## Wholesale Market Studies

The AMS Wholesale Market Development Program conducts design and feasibility studies for new or revitalized wholesale food distribution centers (industrial parks for food firms) and farmers' markets throughout the U.S. These marketing centers serve agricultural producers, regional food industries, and the public as focal points of excellence in efficient food marketing. Improvements in marketing efficiency can be a major factor in holding down the cost spread between farmers and consumers. AMS presents its study findings to the public and local decisionmakers. Formerly, for these studies, data processing was based on terminal and mainframe software with manual retyping and composition. Drawings and presentations were prepared using conventional equipment and techniques. These procedures hindered the program at a time when increasing workload requirements, changing program objectives, and limited resources called for increased efficiency.

AMS assembled a special team to evaluate better methods to meet the changing workloads placed upon the Program. The results of this efficiency enhancement project included: a new study process based on a matrix organization, new study methods, including cash flow

life cycle analyses for feasibility evaluations, alternative site impact analyses, and secondary source information for projecting population and economic changes in the study area, and a definition of special computer analysis programs.

AMS accomplished major increases in productivity and effectiveness. Published studies increased from an average of one major and one secondary study, with accompanying technical assistance per year, to five major and secondary studies. The numerical increase in published reports is accompanied by a corresponding increase in technical and implementation studies. These new methods, software, and equipment made extended project scope and analysis suitable for AMS to define the need for new regional food distribution/processing facilities to help agricultural producers, wholesalers, and processors hold down marketing costs.

### Shell Egg Program

The USDA shell egg quality and grade standards impact the USDA voluntary shell egg grading program and all States since the States base their egg laws on AMS standards. It is important that the standards be practical and in line with modern production and marketing technology. The last review of shell egg quality in retail stores was in 1978. That review provided the basis for several major changes to the shell egg quality and grade standards in 1981. It was the consensus of the shell egg industry and USDA that another review was appropriate.

In August 1990, a nationwide, randomly selected group of retail outlets ranging from supermarkets to convenience stores was identified for review. AMS sent letters to 32 cooperating States and 115 retail store corporate offices to advise them of the review. Over 800 retail store visits were completed and nearly 5,900 100-egg samples were graded during the review.

Initial evaluation of the results of this study indicates that the grade standards remain appropriate and consistent with the industry's ability to produce eggs to meet the required quality criteria. While AMS anticipates no change in the official standards, the study fulfilled its intended purpose of assessing shell egg quality at retail stores and assuring the standards remain in accordance with grading service and industry needs.

### Wheat Hardness Testers

The Federal Grain Inspection Service (FGIS) completed evaluation testing of three single kernel wheat hardness testers. Designed by the U.S. Grain Marketing Research Laboratory, the evaluation testing resulted in one unit being selected for further development. Once development is complete, the instrument will be used as a part of a new wheat classification system.

### Aflatoxin Testing Service for Grain

FGIS implemented a new rapid quantitative aflatoxin testing service for grain at selected field locations. In contrast to composite sample testing, FGIS tests sorghum, wheat, soybeans, milled rice, and processed commodities on a subplot basis.

### Agricultural Quarantine Inspection

The Agricultural Quarantine Enforcement Act prohibits the shipping of any plant, fruit, vegetable, or other matter quarantined by USDA under Federal law. The Animal and Plant Health Inspection Service (APHIS) and the U.S. Postal Service piloted a program and used search warrants to inspect first-class mail from Hawaii to the U.S. mainland for prohibited agricultural products. During the first 4 months of the pilot project, 429 parcels with prohibited agricultural products were intercepted. These parcels contained 154 significant pests, including Mediterranean, Oriental, Melon, and Malaysian fruit flies and the mango seed weevil. Forty-two (42) of the parcels contained fruit flies. The pilot project revealed that a disturbing flow of fresh produce is shipped illegally from Hawaii to the Mainland.

### Wind Turbines That Efficiently Pump Water Reduce Dependency on Fossil Fuels

With oil imports continuing to increase and uncertainty surrounding the future costs of energy from fossil fuels, technologies are needed to exploit alternative sources of energy. Agricultural Research Service (ARS) scientists in Texas use new wind turbines to power motors connected to water pumps. The variable frequency/variable voltage motors operated at nearly the same efficiency as when operated by utility power. The wind turbine, motor, and pump system operates without electrical power lines. Potential applications for this technology include domestic water supplies for remote or isolated farms, small irrigation systems, parks and other recreational resorts, and livestock water supplies in arid and semi-arid areas.

## **FOOD SAFETY**

### Meat Safety Assurance Program

Bacterial contamination of beef during slaughter adversely affects both its safety and quality. Scientists at the ARS Meat Animal Research Center developed a three-pronged approach to combat this contamination: a pre-evisceration washing of the carcass, a modified spray chilling of the eviscerated carcass using acetic acid, and either salt solutions or physical dehydration to enhance the effectiveness of organic acids in sanitizing beef carcasses. These processes reduce Salmonella and other hazardous bacteria by 99.9 percent, a goal of the Food Safety and Inspection Service (FSIS).

### Operations Desert Shield/Storm Ration Inspections

AMS inspects a majority of operational food rations for the U.S. Military, principally the well-known *Meals, Ready-to-Eat* or "MRE's" and tray packs. AMS inspects operational rations processing plants to determine that the daily production is acceptable and to certify products for shipment to the military. In addition, AMS laboratories conduct tests on the finished products. At the height of Operations Desert Shield and Desert Storm as many as 400,000 meals per day were processed and packed under AMS' supervision. AMS laboratories conducted over 1,000 lab tests per month on these products.

During Operations Desert Shield and Desert Storm, the inspection program increased dramatically in proportion to the military's need for field rations for the 500,000 troops in the Persian Gulf. As U.S. industries increased production to meet the demand for rations, AMS tripled its volume of food rations inspections.

To meet this unprecedented inspection demand, AMS established a pool of inspection personnel through strategic reassessments and accelerated training programs. AMS maintained its high level of service during this period of extraordinary demand without hiring new permanent personnel and while coordinating with the industry, the military, and other Government agencies to adjust to ever-changing conditions.

### Wholesome Meat Imports

Monitoring and timely reporting by the Agricultural Counselor, Brasilia, of critical problems with the Brazilian national residue program for meat assisted FSIS in excluding Brazil as an eligible exporter of processed meat products into the U.S. market, thereby protecting American consumers from potential health threats. The Agricultural Counselor worked closely with FSIS and Brazil's Ministry of Agriculture to defuse this extremely sensitive issue. This is helping to set a clear path toward eventual resolution of the problem.

### Pesticide Data Program

In response to increased consumer and producer interest in the safety of food relative to pesticide residues, AMS initiated the Federally-funded Pesticide Data Program (PDP) to collect data on pesticide residues in food through cooperative efforts with State sampling and laboratory analysis programs. PDP's initial focus is on fresh fruits and vegetables in major distribution channels in California, Florida, Michigan, New York, Texas, and Washington. The data base is used primarily to supply objective residue data to the Environmental Protection Agency (EPA) to help improve EPA's risk-assessment activities. The 1991 Agricultural Appropriations Act authorized \$11.9 million for this initiative. Implementation of the program is in concert with other USDA Agencies' pesticide data-related initiatives and with the concurrences of EPA and the Food and Drug Administration (FDA).

## WATER QUALITY

### Improved Program Support

Programs initiated in each of the 50 States support the State Cooperative Extension Service's efforts to transfer appropriate technology to farmers, ranchers and foresters to reduce or eliminate agricultural nonpoint source contaminants from impairing the quality of ground and surface water resources. Significant activities focus on: education and staff training, interagency updates of field office technical guides to provide consistency in pesticide and nutrient recommendations, strengthening wellhead protection education programs to preclude the contamination of private wells from pesticides, nutrients and animal and human wastes, animal waste programs that provide the latest technology in storage, handling and utilization, and the development and utilization of soils-pesticide-nutrient interaction data bases that allow for site specific production recommendations to maintain farm profitability and the integrity of ground and surface water resources.

### Rural Abandoned Mine Program

The Soil Conservation Service (SCS) provides technical and financial assistance for the Rural Abandoned Mine Program (RAMP) through 5-10 year contracts with land users. The purpose of RAMP is to evaluate, design, and install needed conservation treatments to reclaim soil and water resources on rural lands affected adversely by past coal-mining practices. To date, SCS has signed a total of 991 contracts for the reclamation of 14,069 acres, obligating \$85.4 million dollars.

### Soil Organic Matter Sensor Enhances the Feasibility of Precision Herbicide Applications

Agricultural chemical contamination of the Nation's drinking water by agricultural chemicals is a major concern of the agricultural community and the general public. If herbicide application rates were limited to the threshold rate required for effective weed control, it would reduce the risk of water quality degradation. This rate is highly dependent on the organic matter content of the soil. ARS scientists developed a sensor which uses the amount of near infrared light reflected by a soil to estimate its organic matter content. The sensor, which was tested on a range of soils from several Midwestern States, could be used to map spatial distributions of organic matter for more precise applications of herbicides. With some modifications, the sensor could be used for real-time control of herbicide applicators.

### Colorado River Basin Salinity Control

The objectives of the Colorado River Basin Salinity Control (CRBSC) program are to reduce salt loading in order to enhance and protect the quality of water in the Colorado

River. Key provisions of the program are the non-Federal cost-share reimbursement requirements from the hydroelectric power revenues of the Upper and Lower Colorado River Basin development funds and the authority to cost-share with irrigation districts and canal companies. SCS develops project plans, prepares on-farm conservation plans, and provides technical assistance to help land users apply conservation practices to ensure that adequate irrigation water management is practiced.

SCS assisted ES and the Agricultural Stabilization and Conservation Service (ASCS) in developing rules and regulations to implement the CRBSC program. Contracts worth \$10,420,000 in technical and financial assistance were executed in 1990. Annual salt load reductions resulting from these practice installations totaled 15,500 tons.

#### Great Lakes Program

The Great Lakes Water Quality Agreement obligates both the U.S. and Canada to take vigorous measures to restore and maintain the chemical, physical, and biological integrity of the water in the Great Lakes Basin ecosystem. Within the Great Lakes Basin, SCS provides accelerated technical assistance, with emphasis on nonpoint sources pollution control as it relates to erosion and phosphorus management. Wetland identification and mapping, tillage surveys, and other environmental assessments accelerated within the Basin during 1990.

#### Chesapeake Bay Restoration and Protection

SCS provides accelerated technical assistance in the Chesapeake Bay drainage area for restoration and protection of the Bay's water quality and living resources. This work is done in cooperation with the Army Corps of Engineers, the Fish and Wildlife Service, the Geological Survey, the National Oceanic and Atmospheric Administration, the Department of Defense, Maryland, Pennsylvania, Virginia, and the District of Columbia.

Surface water runoff from the land causes nonpoint source water quality problems. Sediment resulting from erosion of land surfaces, particularly agricultural lands, is a primary pollutant of the Chesapeake Bay. Water quality improvement in the Bay is dependent upon close cooperation of Federal, State, and local units of government, including conservation districts and all private citizens using the land and water resources in the area. SCS provides technical assistance to plan, design, and implement management practices to protect surface and ground water by controlling nonpoint source pollution from agricultural and urban lands and excess animal wastes; provides technical standards and specifications for State cost-share programs; provides technical supervision and training for conservation district technicians; and provides outreach to encourage landowners and operators in critical areas to participate in nonpoint source implementation.

## INTERNATIONAL PROGRAMS

### Collaborative Research

To strengthen agricultural, scientific and technical cooperation, USDA and the Mexican Secretariat of Agriculture and Water Resources established a working group to cooperate in three broad areas: animal and plant health and protection, collaborative research, and trade. The working group on Collaborative Research, chaired by the Office of International Cooperation and Development (OICD), reviewed eight agreements in agricultural research, short term exchanges, forestry, soil conservation, and germ plasm. The progress made and agreed to by the U.S. and Mexican staffs increases cooperation by including economic research and statistics as a vital component of exchange activities. Planned exchanges include biotechnology, fire management systems, evaluation of sheep breeds, monitoring of global changes, and information systems.

### Market News Accord Signed

In October 1990, USDA signed a Memorandum of Understanding (MOU) with the Mexican Department of Commerce, Servicio Nacional de Información de Mercados, to share agricultural market news data. The agreement provides for an exchange of experts and expertise to gather and disseminate agricultural marketing information, explore the possibility of standardizing language in market news operations, and develop procedures to exchange agricultural market news data.

### Screwworm

The Screwworm Program continues to advance through Mexico, Guatemala, and Belize. Fourteen (14) years after the start of sterile fly production, Mexico is free of the screwworm. No established infestations of screwworm were found in over 5 months. Sterile insects were released in all of Belize and areas of Guatemala where the screwworm can survive. In addition, APHIS worked with the Food and Agriculture Organization and other international organizations to contain the New World screwworm in North Africa. In anticipation of APHIS' participation, Germany provided funds to El Salvador to begin a screwworm program. APHIS is negotiating cooperative agreements with El Salvador and the Honduras.

### Targeted Export Assistance Program

The Foreign Agricultural Service (FAS) market development program reaches over 100 countries, helps retain established markets and builds new ones, reduces trade barriers, and

improves access to markets. The Targeted Export Assistance (TEA) Program's goal of assisting exports of products affected by foreign unfair trade practices increased both the scope of market development activities and the number of organizations involved. In 1990, USDA announced TEA allocations totaling \$200 million to conduct promotional activities for 46 commodity programs.

### Agricultural Development and Exports

To keep pace with dramatic world changes, FAS established the Office of the East European and Soviet Secretariat to monitor trade developments in these countries, coordinate USDA assistance activities, and help U.S. agricultural exporters. Export credit guarantee programs play a critical role in helping to assure the availability of credit to finance commercial U.S. agricultural exports. The Public Law 480 program provides food and commodity assistance to needy people throughout the world. The program has provided over \$725 million of commodities through concessional credit sales and an additional \$455 million of commodities through donations.

### Cost Versus Price in Japan

The price of soybean meal in Japan often is higher than that of other protein meals. Egg producers seeking to reduce their feed prices tend to purchase cheaper feed rather than quality soybean meal. This produces smaller eggs during the heat-stress conditions of summer. Utilizing cooperator program funding, the American Soybean Association (ASA) sponsored a program to educate the poultry industry on the economic disadvantages of using cheaper feed by emphasizing the benefits of using higher levels of soybean meal and full fat soybeans to increase egg production, especially under heat-stress conditions. In response, one egg producer who raises 300,000 layers modified his feed formulation. While the cost of the producer's feed rose 6 percent, the larger egg size resulted in an increase in profits of \$9,720 per day. This support from ASA helped to maintain the demand for soybean meal which is in competition with the more economically priced rapeseed meal.

### Creating Markets for Soybean Oil-Based Ink

ASA worked with a printing ink manufacturer and several newspapers in Belgium to introduce printing ink formulated with soybean oil. ASA provided advice and technical assistance on the advantages of using this new product. As a result, the ink manufacturer is using 600 tons of soybean oil to formulate this product for markets in Belgium and elsewhere in Western Europe. In addition, several European newspapers are using soy ink for their color photographs.

### U.S. Edible Tallow Gaining Acceptance in Bangladesh

The National Renderers Association (NRA) conducted market development activities for 4 years to increase the acceptance of U.S. edible tallow as an economical substitute for the traditional but expensive butter ghee and vegetable ghees used in Moslem Bangladesh. This culminated in a national symposium in 1990 at which government officials reported that U.S. regulations and controls adequately ensured that U.S. edible tallow was healthy and wholesome, and that lard or pork products were excluded. Several Bangladesh oil refiners, including the state-owned Bangladesh Sugar Corporation, offered to cohost with NRA on-site demonstrations of edible tallow refining. This demonstrated further the government's support for the introduction of this new edible fat for their local consumer market.

### California Avocados

The California Avocado Commission (CAC) utilized TEA resources to promote California avocados nationwide as a new sushi ingredient through the 2,300 outlets of Japan's major sushi chain. To ensure the proper handling and usage of avocados in sushi preparation, CAC, in cooperation with the sushi chain, produced a 15-minute video tape which illustrated effective avocado handling procedures and techniques. In the 8 days of promotion, 2 1/2 tons of California avocados were used, more than double the goal. The sushi chain committed further to promote avocado rolls and related sushi recipes.

### Progress on Resolving European Community Phytosanitary Barriers on U.S. Solid Wood Exports

FAS contributed to a Federal/industry effort to maintain exports of U.S. oak and coniferous sawn wood products threatened by European Community (EC) phytosanitary regulations. This effort included bringing a United Kingdom (U.K.) Plant Health Official to the U.S. using cooperator funds to consult with APHIS and industry inspection agencies and to inspect export certification procedures. Progress to date consists of an EC Commission extension of a derogation from Oak Wilt regulations until July 31, 1991, and a U.K. petition to the EC Standing Plant Health Committee to approve a derogation from pine Nematode regulations to permit green (nonkiln dried) coniferous lumber imports beyond January 1, 1991.

## WORK FORCE DIVERSITY

### Educational Initiatives

AMS began an educational initiative to prepare more black college students for careers in the Department. AMS signed a MOU with Southern University and A&M College, Baton

Rouge, Louisiana, to provide funds in FY 1991 for teaching and research and for recruitment of graduates from predominantly black universities. In 1990, AMS successfully conducted its first summer intern program with predominantly black colleges and universities chartered by the 1890 Morrill Land Grant Act, placing 19 students in paid positions in AMS laboratories and offices throughout the U.S.

### Recruitment Initiatives

In response to the Department's initiative "Framework for Change: Work Force Diversity and Delivery of Programs," OP produced a series of recruitment brochures and an exhibit illustrating career opportunities in USDA. A recruiting folder highlighting the theme, "Making a World of Difference" was printed in English, Spanish, Cherokee, and Chinese. A "Directory of Career Opportunities" is available in braille to enable the sight impaired to keep abreast of careers in USDA.

In addition, outreach efforts to educational institutions with high minority enrollments continues. The Hispanic Association of Colleges and Universities Leadership Group was organized to promote partnership with Hispanic serving institutions. OP expanded its recruitment program beyond the 1890 Historically Black Colleges and Universities to include other educational institutions with high enrollments of minorities and students with disabilities. Agencies identified 800 positions for summer intern employment in 1991.

### Demonstration Project Update

Since implementation of the USDA Demonstration Project, ARS and the Forest Service (FS) have an overall improvement in their recruitment of and outreach for minorities, females, and veterans. Of 54 ARS hires, 12 percent are minorities, 53 percent are females, and 12 percent are veterans. Of 305 FS hires, 27 percent are minorities, 53 percent are females, and 17 percent are veterans. ARS and FS anticipate this trend will continue for the duration of the Demonstration Project.

### Work Force Tracking and Planning

In cooperation with the Office of Advocacy and Enterprise (OAE), OP developed a streamlined reporting system to track the demographics of USDA's work force profile to ensure that diversity objectives are accomplished. The tracking system provides Agencies with an effective tool to monitor progress. In addition, OP is coordinating a Department-wide Work Force Planning Group to develop a plan to achieve and maintain a balanced USDA work force.

## DOMESTIC FOOD ASSISTANCE

### National Commodity Processing Program

It is possible to increase acceptance by recipient agencies of certain CCC surplus inventory commodities by processing them into more desirable forms. Under the National Commodity Processing Program (NCP), the Food and Nutrition Service (FNS) enters into agreements with food processors to convert designated commodities into end products. These products are sold to recipient agencies at reduced prices reflecting the value of donated ingredients contained in the end product. To ensure program integrity, complex contractual, monitoring, and management information systems are necessary for FNS and ASCS. When CCC inventories are very high and increasing, NCP is useful in encouraging the use of these commodities. During 1990, when supply and demand were in relative balance and CCC acquired few commodities, demand for NCP commodities amounted to \$5.5 million. NCP is authorized through September 1995.

### Federal Review System

In response to concerns on the accuracy of claims in the National School Lunch Program (NSLP), FNS established a system of Federal reviews of local school food service operations. The reviews are accomplished in close coordination with State monitoring and auditing efforts and focus on sites with a high likelihood of exhibiting problems that may result in inaccurate meal counts and claims for reimbursement. Reviews of local schools identified over \$2 million in improperly paid NSLP benefits.

Corrective actions implemented as a result of the Federal reviews will have a long term impact on local level program integrity and expenditures that cannot be quantified. Further, legislative and program changes as a result of the overall process will have an effect far beyond what could be achieved through the efforts of a small Federal staff.

Authorizing legislation supports a continued Federal review as part of an overall Coordinated Review System. Under this System, Federal resources will focus on monitoring State performance and on performing local reviews that complement and do not duplicate State Agency (SA) efforts. Local reviews will measure SA effectiveness in program implementation and oversight, and supplement SA efforts in School Food Authorities (SFA) that do not respond to State efforts at problem solving, corrective action, and program improvement.

### Cost Containment Initiatives

In an effort to use food grants more efficiently, many SA's implemented cost containment activities for the Women, Infants, and Children (WIC). Savings generated by competitive

bids, rebates, home delivery, or direct distribution systems allow SA's to provide benefits to more participants at no additional food cost. The most successful cost containment strategy was to obtain rebates on infant formula. As of the end of FY 1990, 52 SA's completed negotiations with infant formula companies to receive rebates for each can of infant formula purchased with WIC funds. Rebate savings totaled over \$500 million.

## SYSTEMS INTEGRATION

### Processed Commodities Inventory Management System

AMS, FNS, and ASCS are sharing in the development and use of this large, complex, integrated system. The Processed Commodities Inventory Management System (PCIMS) supports removal of excess commodities during periods of burdensome surplus and provides a dependable supply of quality commodities to school lunch and other domestic feeding programs. FNS collects and prioritizes orders for the commodities, and AMS and ASCS purchase the commodities. ASCS notifies the vendors to deliver the products and performs most contract monitoring and processing. FY 1990 was the first year AMS made all purchases using PCIMS. Throughout the year, AMS used PCIMS to issue invitations, enter and analyze bids, and issue contracts. This represents only a portion of the total system planned.

A GAO report discussed progress in implementing the full system and criticized delays. In response to the GAO recommendations, AMS, ASCS, and FNS established an organizational structure to facilitate project management of the system. The new organization, established in December 1990, includes the PCIMS Management Board (the three Agency Administrators), Advisory Council (Deputy Administrators), and a full-time PCIMS Project Director. The new organizational structure improves management controls and oversight across Agency lines.

A production test of the PCIMS began in February 1991. Under this test, FNS enters food requisitions, AMS purchases and awards contracts, and ASCS issues delivery notices and handles payments as well as accounting. Detailed "scripts" were developed for the test, and the three Agencies are in the process of executing jobs and comparing expected results with actual results. The test will continue into early spring 1991 with full PCIMS implementation planned in FY 1992.

When PCIMS is implemented fully, the complete commodity distribution system involving FNS, AMS, and ASCS will be integrated. Data will be entered once, and all information will be available on-line. The system will assist the three Agencies in accounting and monitoring funds used for the various programs.

### Rural Electrification Administration Network

The Rural Electrification Administration Network (REANET) is a major step towards providing both the Rural Electrification Administration (REA) and non-REA related information in electronic form for Agency employees to retrieve and enhance. REANET allows an REA employee to use a personal computer as a window to view and copy REA information such as a directory of borrowers, publications and directives, borrower annual statistical reports, and non-Agency data such as certain Bureau of Labor statistics data. In addition, REANET allows employees to access applications on REA minicomputers, the National Computer Center at Kansas City, and the OFM National Finance Center (NFC). REA's goal is to provide its employees with the capability and tools to access and use information without having to be concerned about its location within REANET.

### Management by Objective Tracking

The Office of Information Resources Management (OIRM) developed and executed a computer based tracking system to aid in Management by Objective (MBO) oversight. The system provides reports in electronic form. OIRM expanded the original system to permit tracking of high priority MBO initiatives within Departmental Administration. USDA policy officials use a modified version of the system to track progress in implementing the 1990 Farm Bill.

### Modern Administrative Processing System

OFM continued to develop the Modern Administrative Processing System (MAPS). Early in FY 1992, Phase 1 of the MAPS will be field tested in selected locations of FS, ARS, and FmHA. Phase 1 encompasses systems and functions associated with the acquisition of goods, services, and property. The project will be reviewed, evaluated and tested throughout the 1 year pilot period. At the successful conclusion of the test period, Phase 1 will be implemented at additional sites within the pilot Agencies and in other Agencies.

Phase 2 involves personnel functions, including payroll, travel, and training. The Department projects that MAPS Phase 1 and 2 will be operational by 1995 and implemented fully within USDA as rapidly as resources allow.

**AUDITS WITHOUT FINAL ACTION 1 YEAR FROM  
THE MANAGEMENT DECISION DATE**



**AUDITS WITHOUT FINAL ACTION 1 YEAR FROM THE  
MANAGEMENT DECISION DATE**

Agencies did not complete corrective action within 1 year on 95 audits. The 50 audits indicated with an asterisk (\*) were in the report for the period April 1, 1990, through September 30, 1990. Some audits contain multiple recommendations affecting the completion of final action. These include complex system changes, collection activities, development and implementation of regulations or directives, legal implications, actions by other than USDA Agencies, and time-consuming corrective action to implement the management decisions.

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
AMS	1/5/88	1. South Florida Lime and Avocado Administrative Committees, Report #01031-43-AT.*	0	0
	3/9/89	2. Cotton Research and Promotion Program, Report #01045-4-AT.*	380,101	0
	8/9/89	3. Federal Inspection Under the Egg Products Inspection Act, Report #01061-11-AT.	0	0
	9/30/88	4. Implementation of Research and Promotion Acts, Report #01099-15-AT.*	0	0
	1/18/90	5. Non-Auction Tobacco Sales, Report #01099-19-AT.	0	0
ASCS	3/5/90	6. Payment of Warehouse Storage Charges on Loan Cotton, Report #03091-331-FM.	28,100	0
	12/5/89	7. National System Application Programs - Standards for Testing, Report #03099-20-FM.	0	230,964
		Subtotal	408,201	230,964

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	408,201	230,964
ASCS (Con't)	3/31/88	8. Payment Limitation Provisions, Survey of Share Leases, Report #03099-53-SF.*	2,133,766	0
	2/15/89	9. Conservation Reserve Program - Winston County, Mississippi, Report #03099-124-AT.	48,853	380,628
	9/30/88	10. Limitation of Conservation Reserve Program Payments to Financial Institutions, Report #03099-124-KC.*	5,540,301	25,082,280
	11/16/88	11. Audit of Reported Violations of ASCS Maximum Payment Limitation Provisions in Louisiana, Report #03099-129-TE.	686,651	290,914
	8/25/89	12. Emergency Conservation Program and Emergency Feed Program Claims in Caddo Parish, Louisiana, Report #03099-137-TE.	9,767	3,750
	5/24/89	13. Maximum Payment Limitation Provisions for 1987 in Arkansas, Report #03600-3-TE.	595,564	50,000
	9/30/88	14. Evaluation of Security and Repayment of Commodity Loans, Report #03640-2-CH.	0	975,731,031
		Subtotal	9,423,103	1,001,769,567

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	9,423,103	1,001,769,567
ASCS (Con't)	4/20/89	15. Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California, Report #03645-11-SF.*	825,096	0
FmHA	8/20/88	16. Implementation of the Office of Management and Budget's Nine Point Credit Management Program, Report #04006-2-AT.*	0	0
	1/2/90	17. County Office Review, Willows, California, Report #04012-1-SF.	0	0
	6/28/89	18. Audit of Ellis, Rush, Russell, and Trego County Office Operations, Report #04012-380-KC.	64,645	0
	11/21/88	19. FmHA Guaranteed Loan System, Report #04091-6-FM.*	0	0
	12/28/88	20. Survey of FmHA Housing Preservation Grant Program, Report #04099-69-SF.*	0	0
	6/11/87	21. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, Report #04099-118-TE.*	0	0
	5/22/89	22. Interest Accrual on Guaranteed Loans Delinquent Over 90 Days, Report #04099-143-TE.*	0	8,378,513
		Subtotal	10,312,844	1,010,148,080

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	10,312,844	1,010,148,080
FmHA (Con't)	4/24/89	23. Guadalupe Economic Services Corporation Housing Preservation Grant, Report #04099-145-TE.*	133,360	0
	6/22/89	24. Review of FmHA Graduation of Community Program Loans to Commercial Lenders, Report #04099-146-TE.	7,877,837	0
	9/30/86	25. Labor Housing Program, Report #04099-198-AT.*	0	0
	2/2/89	26. FmHA Controls Over Community Program Loan Instruments and Payments, Report #04099-279-AT.*	0	284,989
	7/31/89	27. Compliance With Promptness Standards for Loan Approval and Appeal Actions, Report #04099-282-AT.	0	0
	8/16/89	28. Rural Housing Loans on Manufactured Homes, Report #04099-284-AT.	0	0
	8/17/89	29. Rural Rental Housing Program Compliance, Report #04600-1-SF.	0	0
		Subtotal	18,324,041	1,010,433,069

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	18,324,041	1,010,433,069
FmHA (Con't)	12/26/89	30. 1988 Drought Emergency Loss Loans in Texas, Report #04600-2-TE.	38,540	0
	7/16/85	31. Nationwide Audit of County Office Operations, Report #04642-1-TE.*	0	0
	3/10/89	32. Cash and Debt Management Activities, Report #04663-2-CH.	0	59,900,000
	9/29/88	33. Farmer Program Guaranteed Loans Need Improvement, Report #04665-2-TE.*	0	483,405,395
	9/29/89	34. Nationwide Review of Selected Program Areas, Report #04669-2-FM.	0	1,597,300
	5/17/89	35. Unauthorized Use of FmHA Inventory Farm Property, Report #50099-20-AT.	498,612	0
	3/4/87	36. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-4-CH *	0	0
FCIC	3/31/88	37. Audit of FCIC Reinsurance Operations - Mississippi, Report #05099-11-AT.*	822,104	12,680,562
		Subtotal	19,683,297	1,568,016,326

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	19,683,297	1,568,016,326
FCIC (Con't)	8/24/89	38. Audit of 1988 Wheat Contract No. 33-017-50709-FO for Cass County, North Dakota, Dawson Hail Insurance Company, Report #05099-34-KC.	328	0
	8/23/89	39. Audit of 1988 Wheat Contract No. 33-000-51064-FO for McLean County, North Dakota, Dawson Hail Insurance Company, Report #05099-35-KC.	524	0
	8/4/89	40. Audit of Wheat Contract No. 30-051-37260 for Liberty County, Montana, Longview Crop Insurance Agency, Inc., Report #05099-37-KC.	0	0
	9/29/89	41. Audit of FCIC Contracts for Crop Year 1988, Contract No. 17-159-82409, Richland County, Illinois, Report #05099-44-CH.	206	0
	9/12/89	42. Audit of 1988 Soybean Contract No. 14-836-026082 for Benton County, Iowa, National Ag Underwriters, Inc., Report #05099-48-KC.	0	0
		Subtotal	19,684,355	1,568,016,326

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	19,684,355	1,568,016,326
FCIC (Con't)	7/14/89	43. Audit of 1988 Wheat Contract No. 25-416-05035 for Liberty County, Montana, Crop Hail Management, Report #05099-53-KC.	0	0
	9/29/89	44. Audit of 1988 Corn Contract No. 14-836-031630 for Cerro Gordo County, Iowa, National Ag Underwriters, Report #05099-63-KC.	456	0
FS	11/21/88	45. Electronic Time and Attendance System's Internal Controls, Report #08099-9-FM.*	0	0
	9/28/89	46. Automated Purchase Order System Internal Controls, Report #08099-11-FM.	0	0
	7/7/88	47. Followup Review of Forest Service Corrective Actions on Prior Audit of Yearend Procurement Activity, Report #08099-27-AT.*	0	0
	9/26/89	48. Monitoring of Deficit Unobligated Balances, Report #08099-34-AT.	0	23,980,799
	9/28/89	49. Administration of Timber Sales Operations, Pacific Northwest Region, Portland, Oregon, Report #08099-95-SF.	0	0
		Subtotal	19,684,811	1,591,997,125

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	19,684,811	1,591,997,125
FS (Con't)	7/10/89	50. Audit of Termination Proposal Settlement Submitted by James M. Ellett Construction Company, Report #08545-42-SF.	0	402,495
	1/24/86	51. Timber Sales Management - Timber Appraisals, Report #08627-3-SF.*	0	0
	3/17/89	52. Audit Report on the Department of Lands, State of Idaho, for the Period of July 1, 1984, Through June 30, 1987, Report #50566-11-SF.*	87,400	0
REA	9/29/89	53. Operations of the Montezuma Mutual Telephone Company, Report #09099-7-CH.	0	0
	3/31/87	54. Oversight of Program Operations Through the Use of Certified Public Accountants, Report #50659-3-CH.*	0	1,500,000
SCS	6/6/85	55. Contractor Claim for Additional Construction, Sanderson Canyon Watershed Project, Terrel County, Texas, Report #10545-12-TE.*	0	305,787
		Subtotal	19,772,211	1,594,205,407

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	19,772,211	1,594,205,407
OO	9/29/89	56. Office of Operations - Controls Over Office Supplies, Report #23099-3-HY.	0	0
FSIS	3/29/89	57. Followup Audit of the Imported Meat Process, Report #24002-4-HY.	0	0
	5/9/89	58. Audit of the Indirect Cost Proposals for the 2 Years Ended June 30, 1987, for the State of West Virginia, Department of Agriculture, Report #24092-23-HY.*	2,522,280	0
	2/5/87	59. FSIS Exporting Procedures, Report #24097-1-AT.*	0	0
	11/17/88	60. Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products, Report #24609-1-AT.*	0	0
FNS	3/3/88	61. Food Distribution Program Commodity Inventory Accountability, Report #27002-7-NY.*	0	0
	8/27/89	62. Food Stamp Program as Administered by the Michigan Department of Social Services, Report #27013-47-CH.	71,295	9,301,005
		Subtotal	22,365,786	1,603,506,412

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	22,365,786	1,603,506,412
FNS (Con't)	7/12/89	63. Food Stamp Program Casefile Documentation in Florida, Report #27013-60-AT.*	65,898	5,405,579
	9/29/89	64. Redemption Accountability Pilot USDA - FNS, Alexandria, Virginia, Report #27019-38-HY.	0	0
	10/18/89	65. Computer Matching of Food Stamp Participation Records With Federal Personnel Records Detected Overissuances, Report #27019-41-TE.	145,655	30,132
	8/26/88	66. Food Services Operations, Department of Education, Government of Guam, Report #27022-41-SF.*	529,379	0
	3/8/89	67. Child Care Food Program - Family Day Care Home Operations, Quad Area, Community Action Agency, Hammond, Louisiana, Report #27025-30-TE.	110,066	0
	8/25/88	68. Summer Food Service Program - City of Hayti Heights, Missouri, Report #27028-43-KC.*	3,156	0
	3/30/89	69. Child Care Food Program - Whispering Wonders Pre-School, Report #27029-175-HY.*	3,868	0
		Subtotal	23,223,808	1,608,942,123

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	23,223,808	1,608,942,123
FNS (Con't)	3/31/89	70. Child Care Food Program - Bethany Christian School, Report #27029-193-HY.*	16,802	0
	11/9/89	71. Child Care Food Program - KCMC Child Development Center, Report #27029-449-KC.	19,900	0
	10/1/87	72. 1986 Child Care Food Program - Boys Harbor, Inc., Report #27029-961-NY.*	183,174	0
	8/10/88	73. 1987 Child Care Food Program - The Gardens Nursery School Kindergarten, New York, Report #27029-1011-NY.	5,929	0
	12/12/88	74. 1987 Child Care Food Program - Boys Harbor, Inc., Report #27029-1055-NY.*	63,170	0
	8/18/89	75. Tennessee Department of Health and Environment Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Nashville, Tennessee, Report #27031-19-AT.	727,372	320,888
	7/31/87	76. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, Report #27080-3-NY.*	298,370	0
		Subtotal	24,538,525	1,609,263,011

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	24,538,525	1,609,263,011
FNS (Con't)	6/20/89	77. Contracting of Food Service Management Companies in the National School Lunch Program, Report #27099-25-SF.*	0	0
	12/7/88	78. Child Care Food Program, River Region Human Development, Inc., Donaldsonville, Louisiana, Report #27099-44-TE.*	11,828	0
	3/15/89	79. Yield Shortages at Better Baked Foods, Inc., Report #27099-79-CH.*	162,989	0
	10/31/86	80. Food Stamp Program Quality Control Error Rate Reduction System, Report #27650-2-HY.*	0	0
	6/15/88	81. Special Supplemental Food Program for Women, Infants, and Children - Vendor Monitoring and Food Instrument Delivery Systems, Report #27661-2-CH.*	0	0
	7/12/88	82. Food Stamp Program Case-file Documentation, Report #27662-2-AT.*	0	170,091,044
	3/16/89	83. Food Stamp Program Administrative Costs, Raleigh, North Carolina, Report #27665-1-AT.	1,024,848	491,591
		Subtotal	25,738,190	1,779,845,646

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	25,738,190	1,779,845,646
FNS (Con't)	6/23/89	84. Single Audit of the Indiana Department of Education, Report #50568-172-CH.	0	0
	7/28/88	85. Department of Social and Health Services, State of Washington, Report #50568-179-SF.*	47,439	652,387
	8/25/89	86. A-128 Audit Report on the State of Washington for the Fiscal Year Ended June 30, 1988, Report #50568-309-SF.	0	0
FGIS	8/30/88	87. FGIS Grain Inspection Processes and Procedures, Report #31008-2-HY.*	0	0
APHIS	6/30/88	88. Mexico/United States Screwworm Eradication Program, Washington, District of Columbia, Report #33615-2-HY.	481,584	18,208,650
	11/9/87	89. South Dakota Department of Agriculture, Report #50566-8-KC.*	5,855	0
	7/28/88	90. Missouri Department of Agriculture, Report #50566-9-KC.*	0	91,540
	10/8/87	91. Kansas Animal Health Department, Report #50567-5-KC.*	5,016	11,046
		Subtotal	26,278,084	1,798,809,269

Agency	Date Issued	Report Title	Disallowed Costs (Dollars)	Funds to Be Put To Better Use (Dollars)
		Previous Subtotal	26,278,084	1,798,809,269
OICD	9/29/89	92. Office of International Cooperation and Development International Training Division, Report #44010-3-HY.	0	0
OIRM	4/1/87	93. Procurement and Technical Approval of ADP Equipment and Software in USDA, Report #50550-9-HY.*	0	0
	3/23/87	94. Automated Data Processing Maintenance Agreements Within the Department of Agriculture, Report #50555-1-HY.*	0	0
	9/30/88	95. PCIE Computer Systems Integrity Project, National Computer Center at Kansas City, Report #58099-10-FM.*	0	0
		Total	26,278,084	1,798,809,269

**EXPLANATIONS OF AUDITS WITHOUT FINAL  
ACTION 1 YEAR FROM THE MANAGEMENT  
DECISION DATE**



## **EXPLANATIONS OF AUDITS WITHOUT FINAL ACTION 1 YEAR FROM THE MANAGEMENT DECISION DATE**

**1. South Florida Lime and Avocado Administrative Committees, Issued January 5, 1988, Report #01031-43-AT\*.**

The audit recommended that AMS require the reporting of individual assessment rebates totaling \$600 or more to the Internal Revenue Service (IRS). In March 1991, IRS ruled that the Cattlemen's Beef Promotion and Research Board was not required to issue Form 1099 concerning reporting payments of refunds of individual producer assessments. The Office of the General Counsel (OGC) is attempting to ascertain from IRS whether the same reasoning applies to the South Florida and Avocado Program.

**2. Cotton Research and Promotion Program, Issued March 9, 1989, Report #01045-4-AT\*.**

The audit recommended that AMS determine the collectibility of \$380,101 in assessments, penalties, and interest. The Cotton Board recovered \$170,170 and classified \$188,727 as uncollectible. A proof of claim for \$21,940 was filed and is pending a determination by the United States Bankruptcy Court for the Southern District of Texas.

**3. Federal Inspection Under the Egg Products Inspection Act, Issued August 9, 1989, Report #01061-11-AT.**

The audit recommended that AMS:

- review alternatives and develop procedures to ensure the adequacy of surveillance tests performed by commercial laboratories;
- obtain documented evidence of laboratory qualifications and their use of approved analytical methods before labels are approved to attest to Salmonella negative products; and
- implement management controls for prompt resolution of future review recommendations.

AMS agreed to develop and implement procedures to monitor program review reports, identify serious weaknesses cited, monitor implementation, document necessary delays, and follow up with management to ensure timely action. AMS is performing the functions agreed upon; however, procedures are not developed. AMS

4. **Implementation of Research and Promotion Acts, Issued September 30, 1988, Report #01099-15-AT\*.**

The audit recommended that AMS:

- evaluate the per-head increase in production costs from domestic beef and pork producers resulting from promotion order assessments and seek to equalize import assessments;
- determine if trade agreements would be violated by equalizing imported beef assessments and consider the necessity for legislation to equalize imported pork assessments; and
- require acceptance and forwarding of producer refund requests to the Cattlemen's Beef Promotion and Research Board.

Due to the inherent legal factors affecting promotion order assessments and research and promotion activities, AMS requested a legal opinion from OGC. OGC provided advice on the first two recommendations and will resolve the third issue shortly.

5. **Non-Auction Tobacco Sales, Issued January 18, 1990, Report #01099-19-AT.**

The audit recommended that AMS:

- use the system developed with ASCS to identify flue-cured tobacco warehouses that exceeded their 1988 and 1989 sales limitation; and
- reduce sales opportunities accordingly.

AMS is evaluating additional information and will consult with OGC to determine if enforcement action is feasible.

6. **Payment of Warehouse Storage Charges on Loan Cotton, Issued March 5, 1990, Report #03091-331-FM.**

The audit recommended that ASCS:

- formally request each of the cited five warehouses to reduce their storage rates to the maximum amount of \$1.66 per bale;
- initiate legal proceedings against warehouses which do not agree to reduce the rates and utilize stored cotton first; and

- recover any unauthorized amounts paid to the warehouses.

Legal and management decisions regarding the determination that collection of the total amount was neither cost-effective nor economically feasible delayed final action.

**7. National System Application Programs - Standards for Testing, Issued December 20, 1989, Report #03099-20-FM.**

The audit recommended that ASCS:

- require the responsibilities, purpose, and specific procedures for developing the documentation of unit test requirements and integration testing requirements detailed in Handbook 14-ADM be clearly identified as applicable for the State and County Office Automation Project software; and
- incorporate these procedures either into IRM 6.19 or into the central Standards Handbook which the Kansas City Management Office is developing.

Complexities in implementing the 1990 Farm Bill delayed final action on the Handbook amendments.

**8. Payment Limitation Provisions, Survey of Share Leases, Issued March 31, 1988, Report #03099-53-SF\*.**

The audit recommended that ASCS:

- review program payments made to companies through leases;
- initiate collection of payments made in excess of the payment limitation;
- review the largest landowners to determine if they used schemes and devices to circumvent program regulations and contractual requirements; and
- establish controls to producers operating in more than one county.

Final action is delayed due to the complexity of the collection process.

**9. Conservation Reserve Program - Winston County, Mississippi, Issued February 15, 1989, Report #03099-124-AT.**

The audit recommended that the State Office (SO):

- review cited cases; and

- recover funds disbursed plus liquidated damages.

Judicial appeals delayed final action.

**10. Limitation of Conservation Reserve Program Payments to Financial Institutions, Issued September 30, 1988, Report #03099-124-KC\*.**

The audit recommended that ASCS determine if the lender's Financial Plan is a scheme or device to circumvent the payment limitation. The complexities of the audit, multi-State involvement, and legal issues delayed final action. These issues are resolved, and ASCS is obtaining the contract modification agreements and collection documentation.

**11. Audit of Reported Violations of ASCS Maximum Payment Limitation Provisions in Louisiana, Issued November 16, 1988, Report #03099-129-TE.**

The audit recommended that the CO collect overpayments from producers for violations of the payment limitation rules. Administrative appeals delayed final action. Appeals decisions are made, and OGC has the case for collection efforts.

**12. Emergency Conservation Program and Emergency Feed Program Claims in Caddo Parish, Louisiana, Issued August 25, 1989, Report #03099-137-TE.**

The audit recommended that ASCS:

- instruct the Caddo Parish County Committee to obtain a refund of the emergency conservation program payments; and
- review the facts presented and require the Committee to recover emergency feed program payments made to the producer.

Final action is delayed pending the results of legal action filed by the producer against the Secretary of Agriculture.

**13. Maximum Payment Limitation Provisions for 1987 in Arkansas, Issued May 24, 1989, Report #03600-3-TE.**

The audit recommended that ASCS:

- limit partnership to one "person" and collect the excess 1987 program payments; and

- collect the excess 1987 crop year payments due to improper capitalization, improper financing, and violation of custom farming rules.

The audit recommendations were in appeal, and the appeal was denied. The lengthy and complex nature of the collection process is delaying final action.

**14. Evaluation of Security and Repayment of Commodity Loans, Issued September 30, 1988, Report #03640-2-CH.**

The audit recommended that ASCS develop and implement procedures to debar or suspend ASCS program participants in accordance with the Department's Nonprocurement, Debarment and Suspension Regulation. Legal and management decisions regarding statutory entitlements are delaying final action on procedures to debar or suspend program participants.

**15. Audit of Large Payments for 1986, R.C. Farming Partnership, Fresno County, California, Issued April 20, 1989, Report #03645-11-SF\*.**

This audit recommended that ASCS:

- obtain repayment of \$825,096 from R.C. Farming Partnership (R.C.);
- review R.C.'s operations for subsequent years to determine whether the conditions noted in the audit continue; and
- recover any resulting overpayments.

The entities reviewed during the audit are under active OIG investigation. No action can be taken until OIG completes the investigation.

**16. Implementation of the Office of Management and Budget's Nine Point Credit Management Program, Issued August 10, 1988, Report #04006-2-AT\*.**

The audit recommended that FmHA:

- report delinquent commercial and consumer debts to credit bureaus;
- match delinquent borrowers with Federal employment files and develop an automated system for cases referred to the Department of Justice;
- revise writeoff regulations and instructions;
- establish controls to monitor field office debt settlement determinations; and

- maintain subsidiary accounts on debt for future collection actions.

FmHA expects to revise its regulations and to modify automated systems by September 1994.

**17. County Office Review, Willows, California, Issued January 2, 1990, Report #04012-1-SF.**

The audit recommended that FmHA provide training to assure mineral rights are considered and documented for appraisals performed on FmHA real estate property. Insufficient travel allocations to conduct an intense general appraisal training session delayed final action.

**18. Audit of Ellis, Rush, Russell, and Trego County Office Operations, Hays, Kansas, Issued June 28, 1989, Report #04012-380-KC.**

The audit recommended that FmHA:

- direct the CO to advise Borrower A that the interest credit recapture does not have to be paid until such time as the borrower no longer resides in the home and request the borrower to graduate to other credit; and
- require the CO to obtain current financial and equity information from Borrowers B and C and provide this information to the bank through a trial referral to determine graduation potential.

Borrowers A, B, and C could not obtain refinancing. The loans are current or ahead of schedule.

**19. Guaranteed Loan System, Issued November 21, 1988, Report #04091-6-FM\*.**

The audit recommended that FmHA:

- analyze the most cost-beneficial approach to improve and update the Guaranteed Loan System;
- analyze the efficiency of incorporating Guaranteed Loans into the Program Loan Accounting System, Integrated Database Management System; and

- place sufficient priority on Guaranteed Loan System modifications and improvements to ensure work starts timely after cost benefit analyses are complete.

The Request for Alteration to convert the Guaranteed Loan System is prepared. FmHA is testing and piloting a model and expects conversion by early FY 1992.

**20. Survey of FmHA Housing Preservation Grant Program, Issued December 28, 1988, Report #04099-69-SF\*.**

The audit recommended that FmHA:

- issue instructions to ensure grantees are aware of the necessity to prepare Financial Status Reports that reconcile with their accounting records;
- complete all repair projects prior to closing out the grant agreement; and
- certify that final building inspection reports are reviewed and filed prior to submission of the final quarterly progress reports.

The revised regulations to incorporate the changes are in clearance. FmHA expects publication in February 1992. The regulatory changes are part of implementing the rental rehabilitation aspect of the Housing Preservation Grant (HPG) Program. Limited HPG funds and critical legislative mandates requiring staff resources delayed final action.

**21. Survey of FmHA Debt Management of Defaults on Guaranteed Loans, Issued June 11, 1987, Report #04099-118-TE\*.**

The audit recommended that FmHA establish internal controls over debt management of loss claims resulting from defaults on guaranteed loans. As a result of the clearance process, FmHA made revisions to the proposed regulations which delayed final action. FmHA expects to publish the regulations by June 1991.

**22. Interest Accrual on Guaranteed Loans Delinquent Over 90 Days, Issued May 22, 1989, Report #04099-143-TE\*.**

The audit recommended that FmHA amend its regulations and lender agreements to require estimated loss reports for guaranteed loans if the liquidation period exceeds 90 days. FmHA agreed to amend its regulations and lender agreements to terminate interest accrual on its guaranteed loans. The Office of Management and Budget's (OMB) extended review of the proposed rule delayed final action. FmHA published the proposed rule in February 1991 and is reviewing the comments received. FmHA will decide on publication of a final rule by June 1991.

23. **Guadalupe Economic Services Corporation Housing Preservation Grant, Issued April 24, 1989, Report #04099-145-TE\*.**

The audit recommended that FmHA terminate the grant for poor performance and for failure to account for funds and interest earned on advances. FmHA declined to terminate the grant. OIG agreed with FmHA's decision. The grantee is on a repayment schedule which is delaying final action.

24. **Review of FmHA Graduation of Community Program Loans to Commercial Lenders, Issued June 22, 1989, Report #04099-146-TE.**

The audit recommended that FmHA revise the National Office Coordinated Assessment Review (CAR) internal review guide and the SO evaluation review questionnaire to include in-depth procedures to assess the adequacy of the graduation review process. Final action occurred when FmHA published the CAR guide and procedures in March 1991.

25. **Labor Housing Program, Issued September 30, 1986, Report #04099-198-AT\*.**

The audit recommended that FmHA:

- emphasize that no rental income be received from tenants in single family-type labor housing when loan agreements are waived;
- require borrowers to account for rental income;
- require borrowers to execute loan agreements if they collect rent and establish the necessary accounts; and
- advise borrowers that violations could result in loan foreclosure.

FmHA reassigned the personnel resources necessary to write the regulations to other high priority projects which delayed final action. FmHA anticipates final regulations to incorporate these recommendations by October 1991.

26. **Controls Over Community Program Loan Instruments and Payments, Issued February 2, 1989, Report #04099-279-AT\*.**

The audit recommended that FmHA take prompt action to modify its computer accounting system to report accurately the schedule status of monthly payment borrowers. The Request for Alteration is in the software development stage and is scheduled for completion in July 1991.

27. **Compliance with Promptness Standards for Loan Approval and Appeal Actions, Issued July 31, 1989, Report #04099-282-AT.**

The audit recommended that FmHA revise its internal review process to include reviews to determine whether completed application dates are accurate and documented properly. FmHA continues to implement the Management Record System (MRS) as a Statewide pilot and distributed MRS to 20 CO's in September 1989. The Statewide pilot is part of a phased evaluation and testing of MRS and builds upon four CO pilots. A MRS task force is evaluating the pilot and refining the system. The projected timeframe to complete and implement MRS is January 1992.

28. **Rural Housing Loans on Manufactured Homes, Issued August 16, 1989, Report #04099-284-AT.**

The audit recommended that FmHA ensure that CO personnel use no higher than average quality cost factors to appraise manufactured houses. FmHA revised Instruction 1944-A to eliminate the reference to appraisal quality standards. FmHA sent the proposed rule to OMB in January 1991 and expects to publish a final rule in April 1992.

29. **Rural Rental Housing Program Compliance, Issued August 17, 1989, Report #04600-1-SF.**

The audit recommended that FmHA:

- require the borrower to submit reliable financial statements audited by a Certified Public Accountant (CPA) for 1987 and 1988 for each of the borrower's Rural Rental Housing projects; and
- review management fee expenses for the years not reviewed by OIG and require the borrower to correct any overcharges found.

The borrower is under active OIG investigation. No action can be taken until OIG completes the investigation.

30. **1988 Drought Emergency Loss Loans in Texas, Issued December 26, 1989, Report #04600-2-TE.**

The audit recommended that FmHA direct the Gillespie, Shelby, and Jim Wells CO's to collect emergency loan funds duplicated by ASCS disaster payments. The borrowers are on a repayment schedule which is delaying final action.

31. **Nationwide Audit of County Office Operations, Issued July 16, 1985, Report #04642-1-TE\*.**

The audit recommended that FmHA:

- strengthen internal controls;
- develop and implement a method for determining refund checks; and
- improve controls over interest credit recapture operations.

In January 1990, FmHA implemented a new methodology for granting subsidy that eliminates any accelerated principal paydown on loans, assumptions, and credit sales closed after December 31, 1989. FmHA plans to make a one-time adjustment to accounts originated prior to January 1, 1990, and add Principal Reduction Attributed to Subsidy into the principal balance. FmHA is revising Instruction 1951-I, "Recapture of Section 502 Rural Housing Subsidy." The priority of handling the substitution and transfer of servicing to the trust of Single Family loans involved in the 1987 asset sales delayed final action. FmHA plans to implement the accounting system by March 1992, and to issue Instruction 1951-I by August 1992.

32. **Cash and Debt Management Activities, Issued March 19, 1989, Report #04663-2-CH.**

The audit recommended that FmHA:

- perform a detailed analysis to determine the level at which it is cost beneficial to pursue foreclosure and deficiency judgments;
- implement necessary regulatory changes to prohibit borrowers who do not adhere substantially to loan covenants and/or where FmHA incurs large losses from participating in USDA programs (other than entitlements) and other Federal direct and/or guaranteed lending programs for a specified period;
- propose necessary legislative changes to allow State Employment Security Agencies to provide information to FmHA offices for use in wage matching;
- advise all SO's and CO's that current financial information must be obtained to make a decision on repayment ability, and that assets and releases should not be made if the borrower does not comply with the terms and conditions of the loan and FmHA writeoff policy;
- implement regulations to require SO's and CO's to check local court records for possible assets concealed by the borrower, require offices able to obtain wage information to make wage matches to confirm information reported by the

borrower, report to the IRS the value of the debt writeoff to the borrower, and report all voluntary conveyance and foreclosure information to credit reporting agencies;

- develop guidelines to identify repayment ability and/or assets that can be used to reduce the size of the writeoff and require the borrower to certify that all assets, income, and interest in real estate are fully disclosed under penalty of Section 1001 of Title 18 of the U.S. Code;
- revise the accounting system to record properly the transactions involving acquisition and the writeoff of the debt, and develop controls to ensure that all costs attributed to the borrower are proper charges to the borrower's account prior to the writeoff of the debt;
- require SO's to monitor compliance with established procedures for releasing borrowers from liability and include borrower release of liability in future internal control reviews;
- take action to establish criteria for classifying accounts to be identified in the Current/Past Debt Inquiry System, classify those borrowers as unsatisfactory who do not maintain their property, conceal assets and/or income, do not cooperate in payment of their debt, do not comply with loan covenants, and were involved in foreclosure or conveyed their property and were released of liability, and reenter into the Inquiry System any borrowers classified as unsatisfactory;
- modify the Current/Past Debt Inquiry System to match borrower case numbers to a "debt settlement default" file prior to loan obligations and retain in the system the applicant's prior loans settled through adverse action, the circumstances surrounding the adverse action, losses FmHA incurred attributable to the borrower in the acquisition, handling, or sale of the property, and recommendations on whether future loans should be made to the borrower;
- retain, for an established period, all case files for borrowers identified as unsatisfactory in the Inquiry System so that sufficient data is available to subsequent approval officials concerning the borrower's prior loan activity;
- require SO's to include interest credit recapture (ICR), in reviews of CO operations;
- discontinue allowing deductions for non-FmHA liens in calculating ICR due;
- require CO's to improve the accuracy of selling expenses used to calculate ICR, and revise the definition of original equity to include only cash and lot contributions and/or sweat equity for self-help housing program participants;

- automate ICR receivables and improve controls over the issuance of refund checks;
- direct SO's and District Offices (DO) to provide increased supervisory control over the appraisal process to ensure loans are made only for suitable properties, and analyze the adequacy of appraisals made by CO staff and fee appraisers;
- develop procedures to correct identified cash management problems to include additional programmatic or personnel-type actions, ensure that SO's and DO's utilize cash and loan disbursement control reports to monitor CO performance, and continue to include compliance with required internal control procedures in reviews;
- increase bonding requirements for escrow agents to amounts more representative of FmHA lending activity;
- suspend and/or debar attorneys who continue to delay remittance of funds; and
- instruct CO's to initiate timely followup and corrective actions when borrower annual statements are returned as undeliverable, and reaffirm actions to be taken when it becomes known that borrowers are leasing their properties.

The corrective actions in process involve developing and modifying automated systems and revising regulations. FmHA is studying one issue on wage matching in a pilot project. Implementation of this recommendation will require statutory changes in some State laws to allow FmHA to access State wage information. This is delaying final action.

**33. Farmer Program Guaranteed Loans Need Improvement, Issued September 29, 1988, Report #04665-2-TE\*.**

The audit recommended that FmHA:

- obtain statements from lenders indicating that they reviewed the borrower's financial information, and that they could not consider giving the borrower a loan;
- implement policies and procedures to collect debts on defaulted loans; and
- computerize controls to detect and prevent borrowers who default from obtaining FmHA loans without repayment of the defaulted loans.

FmHA awarded a contract to study the issues, and is reviewing a draft of the report. After analyzing the report, FmHA will develop and revise its regulations. The scheduled publication of proposed rules is early spring 1991. FmHA expects to implement the automated system by March 1992.

34. **Nationwide Review of Selected Program Areas, Issued September 29, 1989, Report #04669-2-FM.**

The audit recommended that FmHA:

- review the FmHA data base to identify areas to increase utilization of FmHA automated data in the identification of potential loan processing, servicing, and management problems;
- establish procedures to conduct routine analyses of automated data and to provide exception listings to field offices for use in managing the FmHA loan portfolio; and
- require SO's to monitor closely the timeliness of CO processing of Interest Credit Agreements, prepare quarterly reports to identify field offices which are not timely in renewing or canceling Interest Credit Agreements, distribute the reports to appropriate State, District and CO's and implement controls to ensure timely cancellation/renewal.

Automated system development and modification is progressing. Recent implementation provides field offices with the capability to update changes in interest rates on limited resource farm ownership loans, including edit checks to validate allowable interest rates within predetermined ranges. Quarterly reports on interest credit agreements are processed on an emergency priority request and should be implemented by June 1991. FmHA expects to implement the capability to system-generate interest rates by October 1991.

35. **Unauthorized Use of Farmers Home Administration Inventory Farm Property, Issued May 17, 1989, Report #50099-20-AT.**

The audit recommended that FmHA consult with OGC to determine whether there is legal recourse to seek compensation of approximately \$498,612 from trespassers. FmHA referred five cases to OGC. Determinations on four cases are complete. The fifth case awaits OGC's determination on the collectibility of the funds.

36. **Oversight of Program Operations Through the Use of Certified Public Accountants, Issued March 4, 1987, Report #50659-4-CH\*.**

The audit recommended that FmHA:

- develop a guide and train personnel to review audit reports; and
- develop an automated tracking system to track audits, and follow up when reports are not received or are unaudited.

The tracking system is in the initial design and targeted for completion in FY 1994. Until the system is implemented, FmHA monitors audits through a decentralized, manual tracking system. FmHA is reviewing drafts of the audit guides.

**37. Audit of Federal Crop Insurance Corporation Reinsurance Operations - Mississippi, Issued March 31, 1988, Report #05099-11-AT\*.**

The audit recommended that the Federal Crop Insurance Corporation (FCIC):

- require the producer to certify the names in which production is sold from acreage farmed by the producer; and
- either establish claims for loss overpayments or provide justification that a claim is not appropriate.

This audit is under active investigation by OIG. OIG requested that FCIC take no action as it may jeopardize the case.

**38. Audit of 1988 Wheat Contract No. 33-0170-50709-FO for Cass County, North Dakota, Dawson Hail Insurance Company, Issued August 24, 1989, Report #05099-34-KC.**

The audit recommended that FCIC:

- instruct the reinsured company to correct the premiums and liability, and recover the overpaid indemnity and the overstated administrative expense; and
- require the reinsured company to correct the Actual Production History (APH) records and combine optional units where required records were not maintained.

The insured company collected the overpayment from the producer. The overpayment was miscalculated and \$159 is due the producer. Final action is delayed until FCIC's accounting reports show the refund to the producer.

**39. Audit of 1988 Wheat Contract No. 33-000-51064-FO for McLean County, North Dakota, Dawson Hail Insurance Company, Issued August 23, 1989, Report #05099-35-KC.**

The audit recommended that FCIC require the reinsured company to:

- refund the overpaid indemnity and administrative expense;
- adjust the accounting records to reflect the correct liability and premiums; and

- correct the APH records for the contract.

The insured company collected the overpayment from the producer. The overpayment was miscalculated and \$408 is due the producer. Final action is delayed until FCIC's accounting reports show the refund to the producer.

**40. Audit of 1988 Wheat Contract No. 30-051-37260 for Liberty County, Montana, Longview Crop Insurance Agency, Inc., Issued August 4, 1989, Report #05099-37-KC.**

The audit recommended that FCIC establish a separate policy unit for the land which is crop shared. FCIC has requested a revision of its agreed upon management decision with OIG.

**41. Audit of FCIC Contracts for Crop Year 1988, Contract No. 17-159-82409, Richland County, Illinois, Issued September 29, 1989, Report #05099-44-CH.**

The audit recommended that FCIC:

- collect the indemnity overpayment from the insured; and
- adjust the liability, base and subsidized premiums, and administrative expenses downward.

Final action is delayed until the corrections to the data base are verified.

**42. Audit of 1988 Soybean Contract No. 14-836-026082 for Benton County, Iowa, National Ag Underwriters, Inc., Issued September 12, 1989, Report #05099-48-KC.**

The audit recommended that FCIC:

- correct the indemnity paid to the insured;
- correct the adjusted production-to-count for specified units to update the APH data base; and
- adjust the APH data base for a specified unit effective for the 1989 crop year.

The company agreed with the initial findings of the audit report; however, when the cited revisions to the policy were applied, the monetary discrepancy was a \$14 overpayment. Resolution of the difference between the \$326 underpayment cited and the \$14 overpayment determined by the company is delaying final action.

43. **Audit of 1988 Wheat Contract No. 25-416-05035 for Liberty County, Montana, Crop Hail Management, Issued July 14, 1989, Report #05099-53-KC.**

The audit recommended that FCIC require that the reinsured company correct the indemnity paid to the insured. FCIC will issue final determinations for the reinsured company after review of OIG's audit report on 1988 large payment policies.

44. **Audit of 1988 Corn Contract No. 14-836-031630 for Cerro Gordo County, Iowa, National Ag Underwriters, Inc., Issued September 29, 1989, Report #05099-63-KC.**

The audit recommended that FCIC require the reinsured company to:

- refund the overpaid indemnity and administrative expense;
- correct the APH data base effective for the 1988 crop year; and
- correct credited production-to-count for specified units to update the APH data base.

The reinsured company's analysis of this policy shows that the indemnity was overpaid by more than the amount identified in the initial findings. FCIC will issue final determinations for all of the reinsured company's policy reviews when the reinsured company responds to the initial findings for the 1988 large payment audit.

45. **Electronic Time and Attendance System's Internal Controls, Issued November 21, 1988, Report #08099-9-FM\*.**

The audit recommended that FS:

- develop control objectives for its Electronic Time and Attendance (ETA) system to meet GAO standards;
- establish documentation standards for the ETA system; and
- incorporate user documentation into the FS directive system.

Issuance of the Time and Attendance Handbook is delaying final action.

46. **Automated Purchase Order System Internal Controls, Issued September 28, 1989, Report #08099-11-FM.**

The audit recommended that FS:

- identify data to be maintained in the Automated Purchase Order System (APOS) audit trail consistent with GAO standards;
- require the contractor to implement the audit trail once data requirements are defined;
- postpone the implementation of additional APOS features until an operational audit trail is incorporated into all aspects of the system;
- take action to implement an archiving process for the APOS to allow for removal of data;
- ensure procedures comply with the record retention requirements for purchase orders (PO's) and coordinate the procedures with the National Office;
- complete a vulnerability assessment of APOS and related manual functions that exist for PO's;
- define and document control objectives for APOS and the control techniques used to meet the objectives based on the results of the vulnerability assessment, and incorporate these controls into the existing APOS and programs being developed;
- develop documentation for existing and future APOS programs, and require the contractor to document program codes;
- run separate tests periodically on the APOS controls and edits to ensure they are effective and functioning as intended, and document the results of the tests;
- complete a formal system certification for operational portions of APOS, and complete a certification for those portions of APOS under development prior to implementing them Servicewide;
- complete a periodic recertification of APOS once it is fully developed and implemented to verify that the safeguards and controls are effective;
- develop a Servicewide contingency plan to designate how units should process, and issue PO's in the event that computers and/or APOS are unavailable for an extended period;
- identify and implement key administrative controls to operate and maintain the APOS; and

- develop written procedures to define responsibilities of personnel involved in the operation and maintenance of APOS.

FS expects to complete action on the audit recommendations by July 1991. FS completed several high priority changes to the main APOS software in early FY 1991. This caused delays in the archiving and audit subsystems. Additionally, a large decrease in the APOS budget forced cuts in the contractor's staff. This slowed production of key elements in the audit trail and purchase order archiver.

**47. Followup Review of Forest Service Corrective Actions on Prior Audit of Yearend Procurement Activity, Issued July 7, 1988, Report #08099-27-AT\*.**

The audit recommended that FS perform a thorough and timely followup review of all yearend procurements and report identified violations to the Secretary. FS asked for a Comptroller General Decision on yearend procurements that appeared to violate the bona fide need rule and the provisions of the Anti-Deficiency Act. Further action awaits the Comptroller General's Decision.

**48. Monitoring of Deficit Unobligated Balances, Issued September 26, 1989, Report #08099-34-AT.**

The audit recommended that FS:

- establish controls within the National Information Reporting Program and request OFM's NFC to establish controls within the Central Accounting System (CAS) to preclude either acceptance of obligations in excess of quarterly apportionment and annual appropriation levels or flag appropriation accounts when a specified percentage of funds is obligated;
- review revised financial management procedures to identify and to reestablish control features that may have been deleted;
- perform indepth financial management reviews at the accounting centers that contributed to the FY 1988 Anti-Deficiency Act violations, and ascertain definitive causes and solutions for the deficit account balances;
- require accounting centers to review FY's 1986 through 1988 deficit appropriation accounts for errors in account balances and make corrections;
- instruct accounting centers and units to compare budgeted funds to actual allocations, and require adjustments in obligation authority when actual funding is less than budgeted;

- coordinate with OFM's NFC to ensure that estimated obligations are established and entered into the CAS for Simplified Intragovernmental Billing and Collection unemployment compensation claims, and similar charges to preclude deficit balances resulting from the payment of unobligated costs;
- establish timeframes to clear internal transfers and Senior Community Service Employment Program (SCSEP) charges;
- instruct accounting centers to review SCSEP accounts, and bill the appropriate budget clearing accounts for any unclaimed reimbursement for possible refunds to the Department of Labor; and
- expand its program review coverage of accounting center operations to include evaluations of SCSEP accounts.

Final action on this audit remains incomplete until pilot testing of the Administrative Integrated Management Systems project is implemented. The testing is scheduled for October 1991 in the FS Region 3 Albuquerque office.

**49. Administration of Timber Sale Operations, Pacific Northwest Region, Portland, Oregon, Issued September 28, 1989, Report #08099-95-SF.**

The audit recommended that FS:

- develop workload requirements for sale administrator staffing standards, and assign sufficient staff to National Forests in accordance with these standards;
- establish standardized procedures to summarize truck checks and to review summarized information to ensure that sales are checked at the required frequency;
- provide clear direction on timber sale infractions for sale administrators to refer to law enforcement personnel;
- establish a process to track and report timber sale infractions by individual purchaser and/or logger either through existing forest law enforcement data bases or a cost effective Regional system;
- establish a directive stating that purchasers may leave unscaled loads overnight in mill yards only when either FS or an independent third party can assure the security of these loads;
- implement the controls proposed in the short-term plans for timber theft prevention, and establish priorities and timeframes to ensure timely and aggressive implementation of the plans; and

- develop procedures to document major timber theft referrals to ensure that law enforcement staff report timber thefts to OIG when the estimated loss exceeds \$50,000.

The spotted owl issues delayed final action on this audit. The Pacific Northwest Region expects to complete the needed actions by July 1991.

**50. Audit of Termination Proposal Settlement Submitted by James M. Ellett Construction Company, Issued July 10, 1989, Report #08545-42-SF.**

The audit recommended that FS negotiate and reduce the contractor's proposed termination settlement. Settlement efforts were unsuccessful, and the Contracting Officer issued a final decision in June 1990. The contractor appealed to the U.S. Court of Claims in September 1990. The Court issued an opinion in February 1991 dismissing the contractor's appeal for failure to certify the claim properly. The contractor either may resubmit the claim with proper certification or may appeal the dismissal. This is delaying final action.

**51. Timber Sales Management - Timber Appraisals, Issued January 24, 1986, Report #08627-3-SF\*.**

The audit recommended that FS:

- establish national standards for timber appraisals which result in advertised values within a range of 75 to 85 percent of actual bid values;
- establish controls to ensure appraisals are maintained within the standard specified; and
- direct its Northern Region (Region 1) to reduce the statistical adjustment factor of the transaction evidence appraisal system to ensure timber advertised values remain in a range of 75 to 85 percent of the current bid values.

FS continues to work on acceptable standards to measure overbids. Region 1 will reduce its average overbids from 70 to 80 percent of its advertised rates by July 1991. FS intends to develop and implement a transaction evidence based appraisal system in Regions 5 and 6 over the next 2 years.

**52. Audit Report on the Department of Lands, State of Idaho, for the Period July 1, 1984, through June 30, 1987, Issued March 17, 1989, Report #50566-11-SF\*.**

The audit recommended that FS ensure that the SA adequately documents costs charged to Federal programs. Final action awaits the results of a program review of the SA's grant accounting system and the SA's implementation of proper procedures.

**53. Operations of the Montezuma Mutual Telephone Company, Issued September 29, 1989, Report #09099-7-CH\*.**

The audit recommended that REA:

- require the company to recover \$121,918 from the vice president along with a reasonable rate of return, and to recover \$162,371 from the president for Executive Department expenditures and the purchase of a van;
- consider the loan in default if the company either does not recover the funds or does not cooperate fully in taking corrective action to resolve the audit recommendations;
- require the company to obtain and maintain necessary documentation to support its investments, and make documentation available to the CPA firms engaged to audit the company's financial statements; and
- seek guidance from OGC on whether it is appropriate to notify the company's board of directors, stockholders, and the Iowa Public Commission of the results of this audit.

Montezuma submitted a CPA audit report to REA in February 1991. The audit disclosed that the stock in question was transferred to the telephone company in January 1991. However, dividends received on the stock since May 1981 have not been returned to the company. OGC prepared a demand letter restating the defaults under the mortgage along with the proposed remedies. If a response is not received, OGC will request the Department of Justice to proceed with legal action.

**54. Oversight of Program Operations Through the Use of Certified Public Accountants, Issued March 31, 1987, Report #50659-3-CH\*.**

The audit recommended that REA require that borrowers' audits be performed in accordance with Generally Accepted Government Auditing Standards. REA prepared a proposed rule and submitted it to OMB for review and approval. OMB contended that audits of REA borrowers must comply with Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." REA took the position that the Circular did not apply to its borrowers' audits and withdrew the regulation for

legal review. OGC supported REA's position, and REA resubmitted the regulation to OMB. In December 1990, OMB extended its 60-day comment period. OMB concurred with the resubmission, and REA expects to publish proposed regulations in early spring 1991.

**55. Contractor Claim for Additional Construction, Sanderson Canyon Watershed Project, Terrell County, Texas, Issued June 6, 1985, Report #10545-12-TE\*.**

The audit recommended that SCS review the questioned costs of a contractor's claim resulting from an alleged differing site condition by the contractor. SCS initiated settlement negotiations with the contractor, and the contractor submitted additional documentation for SCS to review. SCS expects a decision on the final settlement amount in mid-FY 1991.

**56. Controls Over Office Supplies, Issued September 29, 1989, Report #23099-3-HY.**

The audit recommended that OO:

- ensure the self-service store and the bulk issue warehouse are inventoried and the automated supply system is corrected;
- strengthen procedures to ensure that only individuals with an AD-14 signed by an authorized official be allowed to purchase supplies from the Central Supply Stores bulk issue warehouse;
- update and strengthen Departmental regulations covering the purchase of supplies from Central Supply Stores;
- issue a new catalog listing items for sale, and provide information about new items and price changes on a regular basis; and
- institute a system to document purchases of selected items, and provide this information to Agency officials for their use in monitoring purchases.

Automated system deficiencies delayed reconciliation of the physical inventory conducted in August 1990. The relocation of the Central Supply Stores Bulk Warehouse and implementation of required changes to the automated systems delayed issuance of the revised DR 5300-1 and the Central Supply Stores catalog.

57. **Followup Audit of the Imported Meat Process, Issued March 29, 1989, Report #24002-4-HY.**

The audit recommended that FSIS:

- take immediate action to ensure that Country E complies with the FSIS requirement to test for Chloramphenicol, and that Countries C and E test for species in cooked products;
- resolve the differences between the U.S. and foreign countries' withdrawal periods for Dimetridazole and Carbadox;
- upon completion of rulemaking, incorporate a system to ensure that the Agency is aware of all shipments of meat products into the U.S. and whether the meat products are reinspected by FSIS for entry into U.S. commerce; and
- upon completion of rulemaking, consider establishing penalties for import brokers who fail to follow procedures established by FSIS.

Numerous comments on the proposed rule delayed final action. FSIS is developing a new rule and expects to publish it for public comment in the summer of 1991.

58. **Audit of the Indirect Cost Proposals for the 2 Years Ended June 30, 1987, for the State of West Virginia Department of Agriculture, Issued May 9, 1989, Report #24092-23-HY\*.**

The audit recommended that FSIS require the SA to carry forward the cumulative over-recovery of indirect costs to the next indirect cost rate negotiation. FSIS issued a new Indirect Cost Negotiation Agreement in October 1990 with fixed rates for FY's 1990 and 1991. Over-recovered costs from FY's 1985, 1986, and 1987 were carried forward to establish fixed rates for FY's 1990 and 1991. The remaining unallowable costs for this period will be included in roll-forward adjustments as the opportunity arises to adjust a provisional rate to a nominal fixed rate. Recovery will take approximately 4 years.

59. **Exporting Procedures, Issued February 5, 1987, Report #24097-1-AT\*.**

The audit recommended that FSIS issue regulations to govern the Acceptable Quality Level Program for all classes of poultry expected to remain subject to Directive 918.1, "Poultry Carcass Inspection Program." The impact of a National Academy of Sciences (NAS) report titled, "Poultry Inspection, The Basis for a Risk Assessment

Approach," and the public's concern about Salmonella contamination caused FSIS to shift its priorities and delay publication of the proposed rule. FSIS held the rule pending peer review by NAS of FSIS' Streamlined Inspection System for Cattle. FSIS is reviewing the NAS study issued October 1990.

**60. Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products, Issued November 17, 1988, Report #24609-1-AT\*.**

The audit recommended that FSIS:

- require residue staff officers to contact producers and other government and State agencies on violations;
- establish controls to document administrative procedures used to investigate the source and cause of violations;
- ensure case files are maintained properly; and
- ensure violations are recorded properly in the Microbiological and Residue Computer Information System.

FSIS expects to publish the National Residue Program Directive in October 1991.

**61. Food Distribution Program Commodity Inventory Accountability, Issued March 3, 1988, Report #27002-7-NY\*.**

The audit recommended that FNS:

- implement procedures for the monthly reconciliation of the FNS-155 which captures data on the receipt and distribution of USDA-donated commodities with the KC-269A report on the receipt of shipments by State Distributing Agencies (DA);
- develop and implement computer programs to perform the reconciliation; and
- develop procedures requiring DA's to include commodity shipment delivery order numbers on FNS-155 reports.

OMB approved the revised FNS-155 and the new FNS-155A forms, and DA's began using them in October 1990. The computer software to perform the FNS-155/KC-269 reconciliation is included in the Special Nutrition Program Integrated Information System. FNS completed the training and implementation in 1990. Reconciliation will occur when the PCIMS is implemented.

62. **Food Stamp Program as Administered by the Michigan Department of Social Services, Issued September 27, 1989, Report #27013-47-CH.**

The audit recommended that FNS:

- require the SA to establish procedures to ensure county and district offices follow up on quarterly wage match results;
- recover claims against cited households;
- require the SA to develop an acceptable time-phased corrective action plan to reduce the number of cases referred improperly to the Michigan Department of Social Services, and timely process cases referred;
- ensure the SA has a clear understanding of the nature of the analyses that will be required by the final Income and Eligibility Verification System regulation;
- recover excessive costs claimed for Employment Training Program transportation;
- require the SA to determine the additional amount of overclaims by county and district offices;
- require the SA to submit revised financial status reports; and
- require the SA to develop and implement procedures to reconcile the MA-010, Transaction Control Report.

The SA initiated a two-phase implementation system to ensure wage match results are tracked. The case reviews are complete, overissuance determinations are made for 44 cases, and claims are established. Collection of the funds is delaying final action.

63. **Food Stamp Program Case File Documentation in Florida, Issued July 12, 1988, Report #27013-60-AT\*.**

The audit recommended that FNS:

- establish a claim against the SA for food stamps issued to households with inadequate eligibility documentation;
- require the SA to monitor local districts' semiannual reconciliations of the food stamp issuance master file against case file documentation;

- instruct local districts to document reconciliation listings;
- monitor new procedures for supervisory controls; and
- establish claims for overissued food stamps.

Final action is complete on the monetary findings. The State directed the SA to concentrate its staff resources on developing a Statewide, multiprogram computer system rather than on regular program administration. FNS is pursuing satisfactory documentation to support corrective actions.

**64. Redemption Accountability Pilot, Issued September 29, 1989, Report #27019-38-HY.**

The audit recommended that FNS:

- develop and implement either regulations, policies, procedures, or Federal Reserve agreement terms to provide full accountability through the enforcement of balanced deposit requirements;
- redesign the Redemption Certificate by using paper that can be processed through the Federal Reserve Bank check processing equipment;
- revise the Redemption Certificates to require the retailer and the financial institution officials to certify the accuracy of the amount of coupons and that the coupons were redeemed in accordance with the Food Stamp Program (FSP) regulations;
- redesign the Food Coupon Deposit Document;
- redesign the Food Coupon Activity/Reconciliation Report; and
- reconcile the Food Coupon Activity/Reconciliation Report, Debit Voucher, and the FSP Obligation Account data.

All administrative recommendations are complete. The nationwide roll out of the system redesign involves over 200,000 retail food stores, 10,000 financial institutions, and the Federal Reserve System. Full operations under the system redesign are being rolled out sequentially by Federal Reserve district. Full system implementation is complete in all but three Federal Reserve districts. Nationwide implementation is scheduled for completion during the Third Quarter 1991.

65. Computer Matching of Food Stamp Participation Records With Federal Personnel Records Detected Overissuances, Issued October 18, 1989, Report #27019-41-TE.

The audit recommended that FNS:

- instruct the Oklahoma Department of Human Services, the Texas Department of Human Services, and the Louisiana Department of Health and Human Services to make overissuance determinations for cases identified in the audit;
- establish claims for overissuances where program violations are confirmed; and
- ensure that disqualifications from the FSP are imposed.

The audit identified 389 potential food stamp overissuances that needed research against 119 of the cited overissuances. The SA's completed the reviews and established claims totaling \$144,510. Final action is delayed pending collection of the funds.

66. Food Services Operations, Department of Education, Government of Guam, Issued August 26, 1988, Report #27022-41-SF\*.

The audit recommended that FNS:

- recover funds for overstated counts of meals served under the NSLP and the School Breakfast Program (SBP) during the 1986 and 1987 school years and part of the 1988 school year; and
- require the SA to compute and remit to FNS the excess reimbursement payments received for the following classes of meals for the 3-year period the auditors did not examine:
  - free and reduced price meals served to ineligible persons;
  - breakfasts served under the SBP severe need component in schools not eligible to be classified as being in severe need; and
  - meals served to ineligible persons in Head Start Program operations.

The SA did not conduct the reviews within a reasonable timeframe. FNS withheld payments due the SA for FY's 1989 and 1990 for administrative costs and meal reimbursements under the Child Nutrition Programs. FNS provided limited FY 1989 funds for the SA to engage a CPA firm to complete the work and to reimburse local program operators not affiliated with the SA. The CPA report recommended that

FNS recover additional funds from the SA for ineligible meals. FNS recovered the disallowed costs identified in the original audit, and the SA requested that the additional funds be offset against amounts that FNS owes the SA. The offset will complete final action.

**67. Child Care Food Program - Family Day Care Home Operations, Quad Area Community Action Agency (QACAA), Hammond, Louisiana, Issued March 8, 1989, Report #27025-30-TE.**

The audit recommended that FNS:

- decide whether the sponsoring organization is capable of providing effective fiscal administration of the Child Care Food Program (CCFP);
- if the sponsoring organization is determined incapable, direct the SA to terminate the CCFP agreement and recover the overclaim;
- if the CCFP Agreement is maintained, direct the SA to recover the overclaim;
- ensure a cost allocation system is established and used as a basis for allocating costs; and
- provide guidance and technical assistance, and monitor the sponsoring organization's financial management system.

The Department was involved in litigation with QACAA and suspended action on this audit. QACAA challenged the audit report's conclusions and disputed the Administrative Review Officer's decision to uphold the audit recommendations. In March 1991, summary judgment was granted by the U.S. District Court in favor of the Department. An administrative review of QACAA is in progress to determine the status of the corrective action. Collection of the overclaim began in March 1990 and is expected to be complete in September 1991.

**68. Summer Food Service Program - City of Hayti Heights, Missouri, Issued August 25, 1988, Report #27028-43-KC\*.**

The audit recommended that FNS recover funds in excess of allowable reimbursements. FNS is collecting the disallowed costs through a repayment schedule. This is delaying final action.

69. **Child Care Food Program - Whispering Wonders Pre-School, Issued March 30, 1989, Report #27029-175-HY\*.**

The audit recommended that FNS:

- collect excess reimbursements;
- instruct the sponsor to report accurately its enrollment for free, reduced-price, and paid children's meals and to establish procedures to ensure that application forms are complete;
- instruct the sponsor to collect and maintain all necessary program records; and
- instruct the sponsor to claim meals based on actual meal counts.

Final action is complete on all administrative actions. Collection of the disallowed costs through a repayment schedule is delaying final action.

70. **Child Care Food Program - Bethany Christian School, Issued March 31, 1989, Report #27029-193-HY\*.**

The audit recommended that FNS:

- collect excess reimbursements; and
- instruct the sponsor not to claim meals in excess of licensed capacity.

Final action is complete on all administrative actions. Collection of the disallowed costs through a repayment schedule is delaying final action.

71. **Child Care Food Program - KCMC Child Development Center, Issued November 9, 1989, Report #27029-449-KC.**

The audit recommended that FNS:

- recover overclaim amounts;
- recover funds for interest earned for the fiscal year; and
- direct the SA to establish procedures to comply with the procurement requirements.

Final action is complete on all administrative actions. Collection of the disallowed costs through a repayment schedule is delaying final action.

72. **1986 Child Care Food Program - Boys Harbor, Inc., Issued October 1, 1987, Report #27029-961-NY\*.**

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the funds due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. Regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims for inadequate recordkeeping delayed final action. The regulation is in OMB for clearance.

73. **1987 Child Care Food Program - The Gardens Nursery School Kindergarten, New York, New York, Issued August 10, 1988, Report #27029-1011-NY.**

The audit recommended that FNS:

- collect funds for excess reimbursement for using incorrect claim percentages and unauthorized meals claimed;
- instruct the sponsor to claim meals based on actual meal counts;
- instruct the sponsor to adhere to USDA regulations for food components; and
- instruct the sponsor to submit monthly claims for reimbursement within the required time.

Final action is complete on all administrative actions. Collection of the disallowed costs through a repayment schedule delayed final action. Full collection is complete and FNS is initiating final action.

74. **1987 Child Care Food Program - Boys Harbor, Inc., Issued December 12, 1988, Report #27029-1055-NY\*.**

The audit recommended that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the funds due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. Regulatory and policy activities for the adult day care component of the CCFP and clarification of authority to assess overclaims for inadequate recordkeeping delayed final action. The regulation is in clearance at OMB.

75. Tennessee Department of Health and Environment Special Supplemental Food Program for Women, Infants, and Children - Administrative Costs, Nashville, Tennessee, Issued August 18, 1989, Report #27031-19-AT.

The audit recommended that FNS:

- determine if fiscal adjustments and recoveries are appropriate for the overclaimed administrative costs;
- conduct a review of the SA to ensure the propriety of cost adjustments;
- require the SA to discontinue using funds to overcome personnel funding or staffing;
- require the SA to conduct a review of duties performed by employees charged to the WIC Program; and
- require the SA to review administrative costs and make adjustments for costs charged improperly.

FNS conducted reviews of the SA and established claims for additional overcharges. The SA developed a system to allocate the time of multifunctional employees to the WIC Program. To minimize the risk that collection in full may impair the level of services provided to WIC participants, FNS is negotiating a settlement with the State.

76. Nutrition Assistance Program Block Grant, San Juan, Puerto Rico, Issued July 31, 1987, Report #27080-3-NY\*.

The audit recommended that FNS:

- require the SA to coordinate with other Federal agencies to obtain a proper allocation of administrative funds for integrated services; and
- require the SA to submit revised financial reports.

DHHS is responsible for the allocation of costs for the SA administering the Puerto Rico Nutrition Assistance Program. FNS referred the Cost Allocation Plan (CAP) to DHHS for approval. The SA is negotiating with DHHS for approval of its CAP. Final action is delayed pending approval of the CAP and the SA's revised financial reports.

77. **Contracting of Food Service Management Companies in the National School Lunch Program, Issued June 20, 1989, Report #27099-25-SF\*.**

The audit recommended that FNS:

- establish contracting guidelines for Food Service Management Companies (FSMC);
- direct the SA to eliminate unnecessary hiring and comply with other restrictions;
- enforce the requirement that fixed-price contracts be awarded through competitive bids by SFA's;
- request a waiver from OMB to allow fixed-price contracts with FSMC's; and
- require SFA's using cost reimbursable contracts with FSMC's to install cost controlling provisions on contracts.

FNS agreed to improve management controls over procurement and to publish more restrictive procurement regulations. Information was not available to develop a long-term policy, and FNS awarded a contract in September 1990 to study FSMC's in school nutrition programs. FNS suspended regulatory action pending its review of the results of the study.

78. **Child Care Food Program, River Region Human Development, Inc., Donaldsonville, Louisiana, Issued December 7, 1988, Report #27099-44-TE\*.**

The audit recommended that FNS:

- instruct the Louisiana Department of Education to recover disallowed CCFP costs and duplicate claims;
- require the auditee to either develop a CAP or provide documentation for charging \$19,483 in administrative costs to the CCFP; and
- recover any payments made to the auditee for administrative costs not substantiated under an acceptable CAP.

FNS established a receivable for \$2,875, representing \$2,692 in disallowed costs and \$183 determined unallowable by the SA. The auditee appealed the claim, but FNS sustained it and notified the SA to collect the funds. State auditors examined the auditee's records to determine the propriety of the balance of the questioned costs. Their findings generated additional disallowances that raised the claim amount to \$7,697. The auditee agreed to a repayment schedule. Collection is expected in the spring of 1991. FNS is working with the SA to develop an acceptable CAP.

79. Yield Shortages at Better Baked Foods, Inc., Issued March 15, 1989, Report #27099-79-CH\*.

The audit recommended that FNS recover the value of yield shortages. Better Baked Foods, Inc., refuted the claim amount and agreed to submit documentation to support a reduction in the claim amount. OIG determined that the documentation provided did not support a reduction in the claim and upheld the original amount. After unsuccessful attempts to recover the claim amount, FNS referred the claim to OGC. OGC determined that prior to pursuing further collection attempts, FNS must obtain an assignment of claims from the States involved. This would allow FNS to collect the value of commodities allocated to the States. FNS is reconstructing the data needed to support the original request and the request for assignment.

80. Food Stamp Program Quality Control Error Rate Reduction System, Issued October 31, 1986, Report #27650-2-HY\*.

The audit recommended that FNS require SA Quality Control reviewers to attempt completion of all refusal-to-cooperate cases through collateral contacts. FNS drafted proposed rules in February 1986. During clearance of the rules, FNS realized the proposed policy change had greater statistical implications than the Agency expected and suspended processing of the rules. In November 1987, FNS expected that the NAS study of quality control on Aid to Families with Dependent Children and Medicaid and an FNS contracted study would address the statistical issue related to refusal-to-cooperate cases. The NAS study did not address the issue. FNS released and distributed its study to the public in FY 1990. The FNS study concluded that some changes could be made. Due to other priorities and a lack of organizational resources, the Agency has suspended activity in order to further evaluate the recommendations to be incorporated into the current system.

81. Special Supplemental Food Program for Women, Infants, and Children - Vendor Monitoring and Food Instrument Delivery Systems, Issued June 15, 1988, Report #27661-2-CH\*.

The audit recommended that FNS:

- establish minimum requirements to identify high-risk vendors; and
- establish high-risk vendor investigative requirements.

Final action is delayed pending issuance and implementation of final regulations on food delivery in the WIC Program. FNS issued a proposed rule in December 1990 for public comment.

82. Food Stamp Program Case File Documentation, Issued July 12, 1988, Report #27662-2-AT\*.

The audit recommended that:

- the SA reconcile periodically the master FSP issuance file against case file documentation on a sample basis;
- the SA monitor followup actions by local Food Stamp Offices to ensure documentation is located for case files identified as deficient;
- the SA establish claims and make appropriate fraud referrals for the cases identified in the audit;
- FNS encourage the SA to establish strong supervisory controls over documentation; and
- FNS clarify the verification needed for households' utility expense deductions.

FNS included the adequacy of case file documentation as a national priority target area in its management evaluation program for FY's 1989, 1990, and 1991. OMB included FNS' proposed program language focusing on case file documentation in its "Compliance Supplement for Single Audits of State and Local Government." FNS promoted strong supervisory controls over documentation through error reduction conferences and release of the "1988 Catalog of Program Improvement Activities," and issued guidance clarifying the verification needed for utility expense deductions in June 1990. FNS will issue a memorandum in the spring of 1991 summarizing the types of activities and the level of attention given in this area.

83. Food Stamp Program Administrative Costs Raleigh, North Carolina, Issued March 16, 1989, Report #27665-1-AT.

The audit recommended that FNS:

- recover overcharges made; and
- determine whether the SA should review the Division of Social Services Form DDS-1571 to determine the amount of overcharges and recover funds.

An administrative appeal delayed final action.

84. Single Audit of the Indiana Department of Education, Issued June 23, 1989, Report #50568-172-CH.

The report recommended that FNS:

- require the SA to develop and implement procedures to ensure that copies of independent audit reports of public school corporation subrecipients are received and logged; and
- require the SA to develop and implement procedures to track resolution of questioned costs and findings of noncompliance.

Final action is delayed pending the SA's review of old audit reports. The review was delayed due to staffing problems by the SA. The SA hired new staff to complete the reviews of local agency audits. Completion of the reviews, collections, and payments to local agencies is expected in the spring of 1991.

85. Washington Department of Social and Health Services, State of Washington, Issued July 28, 1988, Report #50568-179-SF\*.

The audit recommended that the SA correct its CAP. This is an organization-wide audit conducted under the Single Audit Act of 1984 and OMB Circular A-128. The Department of Housing and Urban Development's (HUD) OIG is responsible for followup. The HUD-OIG requested the DHHS Division of Cost Allocation (DCA) to follow up on the CAP. Final action is pending DCA's determination.

86. Audit Report on the State of Washington for the Fiscal Year Ended June 30, 1988, Issued August 25, 1989, Report #50568-309-SF.

The audit recommended that:

- the Washington State Department of General Administration comply with OMB Circular A-87, requiring adequate payroll documentation; and
- the Department of Social and Health Services amend the CAP to allow only costs in accordance with the approved written plan.

FNS delayed final action pending completion of DHHS DCA's review of the cross-cutting finding. FNS received authority to recover the disallowed costs from the SA, and final action is pending the recovery of the funds.

87. **Grain Inspection Processes and Procedures, Issued August 30, 1988, Report #31008-2-HY\*.**

The audit recommended that FGIS develop and implement a method to measure more accurately moisture in corn, preferably one employing the use of ground rather than whole kernel corn. The research for air oven calibration is complete, and FGIS has a proposed timetable to implement the new moisture reference methods by FY 1995. The National Conference on Weights and Measures, public meetings on changing reference methods, and an economic impact study will affect implementation of the plan. FGIS plans to conduct the economic impact study first. Depending on the outcome of this study, it may be classified as "major rulemaking" which could delay or affect further implementation of the recommendation.

88. **Mexico/United States Screwworm Eradication Program, Washington, D.C., Issued June 30, 1988, Report #33615-2-HY.**

The audit recommended that APHIS:

- establish and implement internal controls to ensure future contributions are monitored and action taken to collect untimely contributions;
- seek an OGC opinion on the propriety of contributing 100 percent of program costs at any given time;
- contact EPA to review disposal practices and planned corrective actions, implement procedures to ensure proper disposal of liquid toxic insecticides, and ensure that disposal areas at quarantine stations receive appropriate corrective action;
- collect unauthorized freight costs and liquidated damages;
- require the Screwworm Commission to develop and implement procedures to correct case file documentation deficiencies;
- require the Screwworm Commission to conduct a physical inventory, establish and implement procedures to require a monthly physical inventory, reconcile the records to show the true inventory balances, and maintain perpetual inventory records of supplies received and distributed;
- review periodically the records and procedures to determine whether internal controls are proper;
- require the Screwworm Commission to establish a centralized accounting system to safeguard assets against loss from unauthorized use or disposition and to ensure transactions are authorized and recorded properly;

- require the Screwworm Commission to establish and implement procedures to require a response to reports issued by the Secretaria de Agricultura y Recuro Hidrasulicos, Internal Audit Staff and APHIS;
- require the Screwworm Commission to establish and implement security procedures for vehicles entering/exiting the production plants and warehouses for visits to facilities during nonworking hours and to ensure warehouse security;
- follow Federal requirements for the use of proceeds from the sale of surplus property, and recover and utilize funds from prior year sales;
- upon termination of the agreement, return remaining funds to the respective governments based on contribution percentages; and
- require the Screwworm Commission to review outstanding advances, and take appropriate corrective action.

Resolution and closure of the related recommendations in the audit report required an OGC opinion and substantial discussion over the implications of the opinion. Because of the length and complexity of this process, final action to complete the management decisions for this audit is difficult. APHIS is working with International Services and the Screwworm Commission to obtain the documentation for the final actions needed to implement the remaining management decisions. APHIS expects to complete this process in the spring of 1991.

**89. South Dakota Department of Agriculture, Issued November 9, 1987, Report #50566-8-KC\*.**

The audit recommended that APHIS require the SA to submit revised financial reports for FY's 1985 and 1986 to substantiate actual expenditures charged to the agreements. APHIS billed the SA for the disallowed costs, and the SA questioned the amounts. APHIS plans to waive repayment of the disputed costs after seeking OGC concurrence.

**90. Missouri Department of Agriculture, Issued July 28, 1988, Report #50566-9-KC\*.**

The audit recommended that APHIS:

- ensure that Federal financial reports are accurate and timely;
- ensure the SA establishes procedures to document and monitor matching costs; and

- ensure requirements and procedures are in place to obtain written extensions prior to expending Federal funds after a grant period ends.

APHIS plans to waive repayment of the disputed costs after seeking OGC concurrence.

**91. Kansas Animal Health Department, Issued October 8, 1987, Report #50567-5-KC\*.**

The audit recommended that APHIS:

- ensure that the SA reported actual program costs; and
- determine whether the agreement allows carryover of unspent Federal monies from 1 fiscal year to the next and, if not, whether APHIS billed the SA for the full amount of the questioned costs.

The SA did not maintain adequate documentation to support expenditures charged to the program. APHIS billed the SA for reimbursement of the disallowed costs, and the SA questioned the amounts. APHIS plans to waive payment of the disputed amounts after seeking OGC concurrence.

**92. Office of International Cooperation and Development International Training Division, Issued September 29, 1989, Report #44010-3-HY.**

The audit recommended that OICD:

- reconcile expired orders on record; and
- report unliquidated balances that should be deobligated to the Agency for International Development (AID).

OICD and AID agreed to reconcile expired orders, cancel unliquidated balances and adjust prior billings. After verifying training transactions and deobligating unliquidated balances, OICD sent revised billings to AID for review. AID reviewed all balances for FY's 1986, 1987, and 1988, and estimates that review of the remaining balances for FY's 1982 through 1985 will take approximately 6 months. AID is making payments to OICD as AID completes its verifications.

93. **Procurement and Technical Approval of ADP Equipment and Software in USDA, Issued April 1, 1987, Report #50550-9-HY\*.**

The audit recommended that OIRM:

- obtain written certifications that USDA Agencies completed the actions detailed in their Technical Approvals and Delegations of Procurement Authorities;
- consider issuing policy to impose penalties such as technical approval suspensions;
- determine the feasibility of requiring the Agencies to submit cost-benefit analysis data in a specific format;
- notify Agencies that they should contact OIRM for assistance in completing a cost-benefit analysis; and
- finalize the automated tracking system for monitoring conditional approvals of ADP equipment/systems and requests for approval.

The review of DR 3130-1 is in the final clearance process.

94. **Automated Data Processing Maintenance Agreements Within the U.S. Department of Agriculture, Issued March 23, 1987, Report #50555-1-HY\*.**

The audit recommended that OIRM:

- determine the need for a budget object classification for Automated Data Processing (ADP) maintenance; and
- require all USDA agencies to use OFM's NFC inventory system for tracking ADP equipment.

OIRM experienced delays in developing policies and procedures for a separate DR on maintenance of ADP equipment. OIRM published DR 3230-1, "ADP Equipment Maintenance," in August 1990. OIRM is conducting a feasibility study for a central maintenance facility to service USDA Agencies. Coordination is in progress to establish a new budget classification for ADP maintenance. OIRM expects completion of the projects in early spring 1991. OIRM is waiting for the GSA's evaluation of needs for the Federal ADP Equipment Inventory System before recommending modifications to the Property Management Information System and issuing Departmental guidance.

95. PCIE Computer Systems Integrity Project, National Computer Center at Kansas City, Issued September 30, 1988, Report #58099-10-FM\*.

The audit recommended that OIRM:

- modify Appendix D of the Departmental ADP Security Manual;
- develop and implement procedures for the installation and maintenance of system software; and
- discontinue the use of the shared files identified in the audit.

OIRM expects to complete the revision to the manual and discontinue the usage of shared files by early spring 1991. OIRM implemented procedures for installation and maintenance of system software in December 1990.

**APPENDIX A  
FINAL ACTION ON AUDITS WITH  
MONETARY FINDINGS**



**Agricultural Marketing Service**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	2	472,294	0	
B. Management decisions made during the period	0		1	23,291,884
C. Total (A + B)	2	472,294	1	23,291,884
D. Final action taken during the period	0		0	
E. Total reports needing final action at the end of the period	2	472,294	1	23,291,884

**Agricultural Research Service**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0		0	
B. Management decisions made during the period	1	602	1	2,651,111
C. Total (A + B)	1	602	1	2,651,111
D. Final action taken during the period	0		0	
E. Total reports needing final action at the end of the period	1	602	1	2,651,111

**Agricultural Stabilization and Conservation Service**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	41	22,298,564	16 <sup>1</sup>	1,004,245,978 <sup>1</sup>
B. Management decisions made during the period	13	2,103,578	8	175,439,793
C. Total (A + B)	54	24,402,142	24	1,179,685,771
D. Final action taken during the period	17	369,795	8	794,936
1. Recoveries				
(a) Collections		382,861		
(b) Other		23,436		
2. Writeoffs		69,112		
3. Total (1 + 2)		475,409 <sup>2</sup>		
4. Recommendations completed				794,936
5. Recommendations not implemented or completed				0
6. Total (4 + 5)			8	794,936
E. Total reports needing final action at the end of the period	37	24,032,347	16	1,178,890,835

<sup>1</sup>This represents an increase of one audit for \$3,029 in funds to be put to better use and a decrease of \$6,770 for one audit with final action omitted inadvertently from the April 1 - September 30, 1990, report.

<sup>2</sup>Actual recoveries and writeoffs exceed the management decisions by \$105,614.

**Farmers Home Administration  
Final Action on Audits With Disallowed  
Costs and With Funds To Be Put To Better Use  
For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	18 <sup>1</sup>	23,142,612 <sup>1</sup>	14 <sup>2</sup>	623,512,694
B. Management decisions made during the period	12	16,189,291	1	254,273
C. Total (A + B)	30	39,331,903	15	623,766,967
D. Final action taken during the period	12	18,713,935	5	393,658
1. Recoveries				
(a) Collections		2,350,657		
(b) Other		5,034,258		
2. Writeoffs		14,225,265		
3. Total (1 + 2)		21,610,180 <sup>3</sup>		
4. Recommendations completed				393,658
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				393,658
E. Total reports needing final action at the end of the period	18	20,617,968	10	623,373,309

<sup>1</sup>The report for April 1 - September 30, 1990, omitted inadvertently one audit and \$553,109 in disallowed costs.

<sup>2</sup>The report for April 1 - September 30, 1990, omitted inadvertently one audit for funds to be put to better use.

<sup>3</sup>Actual recoveries and writeoffs exceed the management decisions by \$2,896,245.

**Federal Crop Insurance Corporation**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	60 <sup>1</sup>	7,477,064 <sup>1</sup>	5	13,855,468
B. Management decisions made during the period	5	409,270	1	230,014
C. Total (A + B)	65	7,886,334	6	14,085,482
D. Final action taken during the period	25	68,154	1	658
1. Recoveries				
(a) Collections		0		
(b) Other		59,439		
2. Writeoffs		9,082		
3. Total (1 + 2)		68,521 <sup>2</sup>		
4. Recommendations completed				658
5. Recommendations not implemented or completed				0
6. Total (4 + 5)				658
E. Total reports needing final action at the end of the period	40	7,818,180	5	14,084,824

<sup>1</sup>This represents an increase of one audit omitted inadvertently from the April 1 - September 30, 1990, report and a decrease of \$471 due to changes in the management decisions.

<sup>2</sup>Actual recoveries and writeoffs exceed the disallowed costs by \$367.

Extension Service  
Final Action on Audits With Disallowed Costs  
For the 6-Month Period Ending March 31, 1991

<u>Disallowed Costs</u>		
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	2	0
C. Total (A + B)	2	0
D. Final action taken during the period	2	0
E. Total reports needing final action at the end of the period	0	

**Foreign Agricultural Service**  
**Final Action on Audits With**  
**Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	169,200,000 <sup>1</sup>
B. Management decisions made during the period	1	6,219,645
C. Total (A + B)	2	175,419,645
D. Final action taken during the period	1	169,200,000
1. Recommendations completed		169,200,000
2. Recommendations not implemented or completed		0
E. Total (1 + 2)	1	169,200,000
F. Total reports needing final action at the end of the period	1	6,219,645

<sup>1</sup>The April 1 - September 30, 1990, report showed two audits without final action. The report should have reflected final action on one audit and \$10,963,142 as implemented in funds to be put to better use.

**Forest Service**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	3 <sup>1</sup>	238,266 <sup>1</sup>	8 <sup>2</sup>	26,822,618 <sup>2</sup>
B. Management decisions made during the period	4	236,572	3	39,604,192
C. Total (A + B)	7	474,838	11	66,426,810
D. Final action taken during the period	3	0	0	:
E. Total reports needing final action at the end of the period	4	474,838	11	66,426,810

<sup>1</sup>This represents a decrease of one audit with final action and \$5,476 in disallowed costs omitted inadvertently from the April 1 - September 30, 1990, report.

<sup>2</sup>This represents an increase of one audit for \$23,980,799 and a decrease of one audit for \$122,780 with final action to implement funds to be put to better use omitted inadvertently from the April 1 - September 30, 1990, report.

**Soil Conservation Service**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	291,235	8 <sup>1</sup>	3,555,572 <sup>1</sup>
B. Management decisions made during the period	0		3	1,049,283
C. Total (A + B)	1	291,235	11	4,604,855
D. Final action taken during the period	0		4	1,811,658
1. Recommendations completed				1,811,658
2. Recommendations not implemented or completed				0
3. Total (1 + 2)			4	1,811,658
E. Total reports needing final action at the end of the period	1	291,235	7	2,793,197

<sup>1</sup>This represents an increase of one audit and \$1,123,024 in funds to be put to better use reported inadvertently as a disallowed cost in the April 1 - September 30, 1990, report.

**Rural Electrification Administration**  
**Final Action on Audits With**  
**Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	1	1,500,000 <sup>1</sup>
B. Management decisions made during the period	0	
C. Total (A + B)	1	1,500,000
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	1,500,000

<sup>1</sup>REA disagrees with this amount.

**Office of Finance and Management  
Final Action on Audits With Disallowed Costs  
For the 6-Month Period Ending March 31, 1991**

<u>Disallowed Costs</u>		
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	10,290
C. Total (A + B)	1	10,290
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	10,290

**Cooperative State Research Service  
Final Action on Audits With Disallowed Costs  
For the 6-Month Period Ending March 31, 1991**

<u>Disallowed Costs</u>		
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	4	1,728,488
B. Management decisions made during the period	0	
C. Total (A + B)	4	1,728,488
D. Final action taken during the period	3	1,419,769
1. Recoveries		
(a) Collections		111,332
(b) Other		1,308,437
2. Writeoffs		0
3. Total (1 + 2)		1,419,769
E. Total reports needing final action at the end of the period	1	308,719

**Economic Research Service**  
**Final Action on Audits With Disallowed Costs**  
**For the 6-Month Period Ending March 31, 1991**

<u>Disallowed Costs</u>		
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0	
B. Management decisions made during the period	1	205
C. Total (A + B)	1	205
D. Final action taken during the period	0	
E. Total reports needing final action at the end of the period	1	205

**Food Safety and Inspection Service  
Final Action on Audits With Disallowed Costs  
For the 6-Month Period Ending March 31, 1991**

<u>Disallowed Costs</u>		
	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	5	2,525,006
B. Management decisions made during the period	2	145,410
C. Total (A + B)	7	2,670,416
D. Final action taken during the period	1	7,288
1. Recoveries		
(a) Collections		0
(b) Other		7,288
2. Writeoffs		0
3. Total (1 + 2)	1	7,288
E. Total reports needing final action at the end of the period	6	2,663,128

**Food and Nutrition Service  
Final Action on Audits With Disallowed  
Costs and With Funds To Be Put To Better Use  
For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	82	13,605,921 <sup>1</sup>	14 <sup>2</sup>	213,964,611 <sup>2</sup>
B. Management decisions made during the period	27	1,109,234	5	70,757
C. Total (A + B)	109	14,715,155	19	214,035,368
D. Final action taken during the period	48	3,065,405 <sup>3</sup>	7	27,014,816
1. Recoveries				
(a) Collections		1,820,361		
(b) Other		1,099,502		
2. Writeoffs		461		
3. Total (1 + 2)		2,920,324 <sup>4</sup>		
4. Recommendations completed				27,014,816
5. Recommendations not implemented or completed				0
6. Total (4 + 5)			7	27,014,816
E. Total reports needing final action at the end of the period	61	11,649,750	12	187,020,552

<sup>1</sup>This is a decrease of \$674,185 in disallowed costs with final action omitted inadvertently from the April 1 - September 30, 1990, report.

<sup>2</sup>This represents an increase of one audit for \$452,934 in funds to be put to better use omitted inadvertently from the April 1 - September 30, 1990, report.

This amount was reduced by \$52,269 as a result of appeals and \$377,764 in documented allowable costs.

<sup>4</sup>Actual recoveries and writeoffs exceed the disallowed costs by \$284,952.

**Animal and Plant Health Inspection Service**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	5 <sup>1</sup>	492,455	5 <sup>2</sup>	18,550,126 <sup>2</sup>
B. Management decisions made during the period	0		0	
C. Total (A + B)	5	492,455	5	18,550,126
D. Final action taken during the period	1	0	1	26,103
1. Recommendations completed				26,103
2. Recommendations not implemented or completed				0
3. Total (1 + 2)			1	26,103
E. Total reports needing final action at the end of the period	4	492,455	4	18,524,023

<sup>1</sup>This represents an increase of one audit omitted inadvertently from the April 1 - September 30, 1990, report.

<sup>2</sup>This represents an increase of one audit and \$110,754 in funds to be put to better use omitted inadvertently from the April 1 - September 30, 1990, report.

**Office of Information Resources Management**  
**Final Action on Audits With Disallowed**  
**Costs and With Funds To Be Put To Better Use**  
**For the 6-Month Period Ending March 31, 1991**

	<u>Disallowed Costs</u>		<u>Funds To Be Put To Better Use</u>	
	Number of Audit Reports	Dollars	Number of Audit Reports	Dollars
A. Management decisions with no final action at the beginning of the period	0		1	442,572
B. Management decisions made during the period	2	17,028	0	
C. Total (A + B)	2	17,028	1	442,572
D. Final action taken during the period	2	17,028	0	
1. Recoveries		0		
2. Writeoffs		17,028		
3. Total (1 + 2)		17,028		
E. Total reports needing final action at the end of the period	0	0	1	442,572



**APPENDIX B**  
**AUDITS UNDER APPEAL OR LEGISLATIVE**  
**SOLUTION**



## **AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION**

<b>Agency</b>	<b>Administrative Appeal</b>	<b>Judicial Appeal</b>	<b>Legislative Solution</b>	<b>Total</b>
AMS	0	1	0	1
ASCS	14	2	0	16
FmHA	2	1	2	5
FCIC	5 *	2 *	0	6
FS	3	3	0	6
SCS	5	0	0	5
FNS	2	1	0	3
<b>TOTAL</b>	<b>31</b>	<b>10</b>	<b>2</b>	<b>42</b>

\*One audit is in both administrative and judicial appeal.





